

City of Roseville, Michigan

**Financial Report
with Supplemental Information
June 30, 2008**

City of Roseville, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Roseville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roseville, Michigan's basic financial statements. The accompanying other financial and supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008 on our consideration of the City of Roseville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

December 11, 2008

City of Roseville, Michigan

Management's Discussion and Analysis

Using This Annual Report

The annual report consists of a series of narratives and financial statements. This narrative is intended to serve as an introduction to the City of Roseville, Michigan's (the "City") basic financial statements. The basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also contains other supplementary information, as well as continuing disclosure information related to bonded debt issued by the City of Roseville, Michigan.

The format of the annual report was modified in 2003 to comply with the reporting requirements of Government Accounting Standards Board Statement No. 34. The basic financial statements include two kinds of statements that present different views of the City. The statement of net assets and the statement of activities provide information about the activities of the City on a government-wide basis. They are designed to present a long-term view of the City's finances. The fund financial statements, which follows the above-mentioned statements, illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. Additionally, the fund financial statements report the City's operations in more detail than the government-wide financial statements.

Government-wide Financial Statements

The government-wide statements provide information about the City as a whole, using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the City's assets and liabilities. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's overall financial health. The statement of activities reflects all of the current year's revenues and expenses, regardless of when cash is actually received or paid.

The government-wide financial statements of the City are divided into two categories:

- **Government Activities** - Most of the City's basic services are included here such as police, fire, public works, recreation, and general administration. Property taxes, state-shared revenues, charges for services, and grants provide the majority of the funding.
- **Business-type Activities** - The City charges user fees to customers to cover costs of providing water and sewer services.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding or monitor spending. Some funds are required to be separately maintained by state law. The City Council establishes other funds to control and manage money for particular purposes.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash, flow in and out, and the balance left at year end that is available for future spending. The governmental fund statements provide a detailed short-term view that highlights whether there are more or fewer financial resources available in the near future to finance the City's programs. Because the focus of governmental funds is narrower, it is useful to compare this information with similar information presented for governmental activities in the government-wide financial statements. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balance for the governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Roseville, Michigan maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets Fund, Local Streets Fund, and Capital Projects Fund, all of which are considered to be major funds. Data for the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for the nonmajor governmental funds is provided in the form of combining statements located in the other financial and supplemental information section of this report.

The City of Roseville, Michigan adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for all major governmental funds to demonstrate budgetary compliance.

- **Proprietary Funds** - Proprietary fund reporting, like government-wide statements, provides both short-term and long-term financial information. The City maintains two different types of proprietary funds. Enterprise Funds are used to report the same functions presented in the business-type activities in the government-wide financial statements. The City of Roseville, Michigan uses an Enterprise Fund to account for its water and sewer operation. This fund is considered a major fund of the City. Internal Service Funds accumulate and allocate costs internally among various functions. The City of Roseville, Michigan uses Internal Service Funds to account for its self-insurance program and workers' compensation related expenditures. Because these programs predominantly benefit governmental rather than business-type functions, they have been consolidated within the governmental activities in the government-wide financial statements.
- **Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources held in those funds are not available to finance the City's programs.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information

The required supplemental information is in addition to the basic financial statements and accompanying notes. This section of the report highlights the City's progress in funding its obligations to provide pension and other postemployment benefits to its employees. Also included in this section are the budgetary comparison statements for the General Fund, Major Special Revenue Funds, and Capital Project Fund.

Other Financial and Supplemental Information

Combining fund statements referred to earlier, as well as the City's schedule of indebtedness, are presented immediately following the required supplemental information section of this report.

The City of Roseville, Michigan as a Whole

The City's combined total net assets increased 6.7 percent from a year ago, increasing from \$106.6 million to \$113.7 million. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$6.1 million in total net assets or 6.8 percent, during fiscal year 2008. The increase in total net assets is primarily attributed to higher tax revenues generated from the November 2006 millage increase, coupled with other factors: greater equity interest recognized in the City's joint venture investments, net increase in the City's capital assets, and the reduction of current year and long-term debt obligations. The cumulative impact of these events exceeded the effects of funding retiree healthcare benefits for current and future retirees, which reduced the City's cash reserves by \$4.3 million and \$.5 million, respectively. Postemployment healthcare premiums have been traditionally paid by the City's pension fund through its available "excess earnings." During 2005, as a result of increasing healthcare costs coupled with declining interest rates, the pension fund was no longer able to cover this obligation. During 2008, this obligation was paid entirely by the General Fund. Business-type activities experienced a \$1 million increase in total net assets. This increase is the result of the City's water and sewer rate restructuring implemented during fiscal year 2003 to cover the expected cost of critical repairs to the City's water and sewer infrastructure, together with disciplined expense control throughout fiscal year 2008. Governmental unrestricted net assets, the portion of net assets available to finance day-to-day operations and future growth, increased from \$24.3 million at June 30, 2007 to \$27.6 million at June 30, 2008. Unrestricted net assets for business-type activities increased by \$.7 million at June 30, 2008.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2008 to the prior year:

| | June 30 | | | |
|------------------------------|----------------|----------------|---------------|---------|
| | 2008 | 2007 | Change | Percent |
| Assets | | | | |
| Current assets | \$ 34.7 | \$ 29.0 | \$ 5.7 | 19.66% |
| Noncurrent assets: | | | | |
| Investment in joint ventures | 7.7 | 7.5 | 0.2 | 2.67% |
| Restricted assets | 0.2 | 0.2 | - | - |
| Capital assets | 79.0 | 78.5 | 0.5 | 0.64% |
| Total assets | 121.6 | 115.2 | 6.4 | 5.57% |
| Liabilities | | | | |
| Current liabilities | 4.2 | 5.6 | (1.4) | -25.00% |
| Long-term liabilities | 20.4 | 18.7 | 1.7 | 9.09% |
| Total liabilities | 24.6 | 24.3 | 0.3 | 1.24% |
| Net Assets | | | | |
| Invested in capital assets - | | | | |
| Net of related debt | 62.0 | 60.3 | 1.7 | 2.76% |
| Restricted | 7.4 | 6.3 | 1.1 | 19.42% |
| Unrestricted | 27.6 | 24.3 | 3.3 | 13.40% |
| Total net assets | <u>\$ 97.0</u> | <u>\$ 90.9</u> | <u>\$ 6.1</u> | 6.76% |

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in millions of dollars) for the year ended June 30, 2008:

| | Year Ended June 30 | | | |
|-------------------------------------|--------------------|---------------|-----------------|---------|
| | 2008 | 2007 | Change | Percent |
| Revenue | | | | |
| Program revenue: | | | | |
| Charges for services | \$ 6.7 | \$ 5.0 | \$ 1.7 | 34.00% |
| Operating grants and contributions | 4.8 | 4.5 | 0.3 | 6.67% |
| Capital grants and contributions | 1.6 | 2.1 | (0.5) | -23.81% |
| General revenue: | | | | |
| Property taxes and related fees | 30.2 | 29.5 | 0.7 | 2.23% |
| State sources | 5.1 | 4.9 | 0.2 | 4.08% |
| Unrestricted investment earnings | 1.6 | 1.4 | 0.2 | 14.29% |
| Miscellaneous | 0.3 | 0.1 | 0.2 | 200.00% |
| Cable franchise fees | 0.6 | 0.6 | - | 0.00% |
| Total revenue | 50.9 | 48.1 | 2.8 | 5.82% |
| Program Expenses | | | | |
| General government | 12.3 | 11.6 | 0.7 | 5.83% |
| Public safety | 18.9 | 18.3 | 0.6 | 3.30% |
| Public works - Highways and streets | 7.7 | 5.9 | 1.8 | 31.20% |
| Recreation and culture | 3.9 | 3.4 | 0.5 | 14.68% |
| Interest expense | 1.9 | 1.1 | 0.8 | 69.07% |
| Total program expenses | 44.7 | 40.3 | 4.4 | 10.87% |
| Change in Net Assets | <u>\$ 6.2</u> | <u>\$ 7.8</u> | <u>\$ (1.6)</u> | -21.13% |

The City's total governmental revenues increased \$2.8 million from \$48.1 in 2007 to \$50.9 million in 2008. Of this amount, property taxes accounted for approximately 59 percent, or \$30.2 million; state sources approximately 10 percent or \$5.1 million; and charges for services which support program costs such as building inspections, recreation programs, etc. amounted to approximately 13 percent or \$6.7 million. In addition, the City received \$6.4 million in operating grants, capital grants, and capital contributions from federal and state sources, which accounted for approximately 13 percent of total governmental revenues.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Expenses increased by approximately \$4.4 million or 11 percent over the previous fiscal year. This increase is attributed to several factors including wage increases in compliance with existing labor agreements, the repayment of certain debt obligations, the combined \$4.8 million supplement to fund current and future retiree healthcare benefits, as well as the continued demand for various governmental services by residents. The net effect of the increase was offset by the cumulative savings realized from various personnel vacancies, cost savings from renegotiated insurance contracts, and strong cost control programs, in addition to reductions in interest paid for long-term debt. The City continued to meet its actuarial required contributions for the defined benefit pension system during fiscal year 2008. This is important for the City because future taxpayers should not be required to fund benefit payments that were earned in the current period.

Business-type Activities

In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2008 to the prior year:

| | June 30 | | | |
|--------------------------------------------------|----------------|----------------|---------------|---------|
| | 2008 | 2007 | Change | Percent |
| Assets | | | | |
| Current assets | \$ 9.6 | \$ 8.7 | \$ 0.9 | 10.34% |
| Noncurrent assets - Capital assets | 8.7 | 8.5 | 0.2 | 2.35% |
| Total assets | 18.3 | 17.2 | 1.1 | 6.40% |
| Liabilities | | | | |
| Current liabilities | 1.3 | 1.3 | - | - |
| Long-term liabilities | 0.3 | 0.2 | 0.1 | 50.00% |
| Total liabilities | 1.6 | 1.5 | 0.1 | 6.67% |
| Net Assets | | | | |
| Invested in capital assets - Net of related debt | 8.7 | 8.5 | 0.2 | 2.35% |
| Unrestricted | 8.0 | 7.2 | 0.8 | 11.11% |
| Total net assets | <u>\$ 16.7</u> | <u>\$ 15.7</u> | <u>\$ 1.0</u> | 6.37% |

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in millions of dollars) for the year ended June 30, 2008 from the prior year:

| | Year Ended June 30 | | | |
|--------------------------------------------|--------------------|---------------|-----------------|---------|
| | 2008 | 2007 | Change | Percent |
| Revenue - Program revenue | | | | |
| Charges for services | \$ 11.2 | \$ 11.2 | \$ - | - |
| Capital grants and contributions | 0.9 | 0.1 | 0.8 | 800.00% |
| Total revenue | 12.1 | 11.3 | 0.8 | 7.08% |
| Operating Expenses | | | | |
| Operating expenses other than depreciation | (11.0) | (9.9) | (1.1) | 11.11% |
| Depreciation | (0.3) | (0.4) | 0.1 | -25.00% |
| Total operating expenses | (11.3) | (10.3) | (1.0) | 9.70% |
| Operating Income | 0.8 | 1.0 | (0.2) | -20.00% |
| Interest Income | 0.2 | 0.3 | (0.1) | -33.33% |
| Change in Net Assets | <u>\$ 1.0</u> | <u>\$ 1.3</u> | <u>\$ (0.3)</u> | -23.08% |

The City's business-type activities are recorded in the Water and Sewer Fund. Water and sewer operations are funded directly by user fees or charges for services. Revenues generated from the City's Water and Sewer Fund totaled \$12.1 million in 2008 and expenses were \$11.4 million. The City experienced an overall increase in net assets of \$1 million. Due to limited growth within the City, no water and sewer lines or other donated assets were contributed by developers in the current year. For fiscal year 2008, the City Council held the water and sewer rates consistent with the total rate charged during fiscal year 2007, despite projected increases forecasted by the City of Detroit and South Macomb Sanitary District. During fiscal year 2003, City management revised the City's water and sewer rate structure to better isolate the effects of cost increases from the City of Detroit water system and the South Macomb Sanitary District. Historically, the City had not passed on to its customers the full effect of previous Detroit water and sewer rate increases. This trend became increasingly difficult to continue, now that Detroit has forecasted rate increases to average 10 percent annually for the next three to five years. The City's water and sewer rates reflect only the estimated cost for water units purchased or sewer treatment costs incurred by the City. No other expenses are factored into these rates. The City's local operating maintenance rate (LOM) primarily reflects the day-to-day operating costs and future capital outlay considerations of the Water and Sewer Fund, excluding the purchase of water and sewer treatment expense.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

During fiscal year 2008, the City's water and sewer system incurred a 1.7 percent decrease in the volume of water and sewage units purchased while realizing a .5 percent increase in the total volume of water units sold and sewage units treated. This relationship is supported by a 20 percent decline in the City's inferred water loss percentage which improved from 11.6 percent in fiscal year 2007 to 9.2 percent in fiscal year 2008. The City's water loss savings is attributed to several factors including favorable weather conditions, the completion of critical improvements to the City's water and sewer system, and greater efficiencies in repairing water line breaks and performing daily operations. During fiscal year 2008, the City received approximately \$.9 million in grant revenue to identify and assess critical areas within the City's water and sewer infrastructure in need of significant capital improvements. The City has recently begun the application process to obtain the required \$15 million to \$20 million in low-interest State Revolving Fund loans, made available by the State of Michigan, to finance the necessary repairs. These critical improvements to the City's aging water and sewer infrastructure are slated for fiscal year 2009. In addition, the City recently signed a new water contract with the City of Detroit and modified its water regulations to save maximum day "peaking" costs to better control future rate increases from the City of Detroit.

The City's Funds

The analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as State of Michigan Act 51 major and local roads revenue sharing. The City's major funds for 2008 include the General Fund, the Major and Local Streets Funds, and the Capital Projects Fund.

The General Fund receives all City revenue not designated for specific use by state statutes or City Charter, and accounts for most of the services provided to residents. The most significant of these are police and fire, which incurred expenditures of approximately \$17.8 million in 2008, before depreciation and other full accrual accounting adjustments. The general operating millage levied by the City supports these two services. Overall, net assets in the General Fund increased by \$.8 million, primarily attributable to the November 2006 five mill tax increase. The additional tax revenue lessened the financial impact of funding \$4.3 million for current retiree healthcare benefits, \$.5 million to fund postretiree healthcare benefits, the increase in the actuarial required payment to fund the City's pension system, and the effects of long-term contractual obligations previously entered into by the City.

The Major and Local Streets Funds are the two funds used by the City to account for capital outlay expenditures related to road construction and maintenance. State revenue sources and transfers from other funds support the activities recorded in these funds. Net assets in the Major and Local Street Funds increased by approximately \$1,044,000 and \$142,000, respectively. These increases are the result of closely monitored expenditures for capital improvements to the City's road system in addition to year-end transfers to support future road projects.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

The Capital Projects Fund includes the City's portion of the Lake St. Clair Clean Water Initiative projects being administered on behalf of the City by Macomb County. The City maintains certain intangible rights to a county drain asset equal to the City's share of the debt associated with the Clean Water Initiative project. Debt proceeds, special assessment collections, and operating transfers from other funds primarily support the activities within this fund. During fiscal year 2008, the City Council approved capital expenditures for necessary capital improvements to City buildings. After incurring costs of approximately \$700,000 for critical repairs and renovations, total net assets in the Capital Projects Fund increased by approximately \$23,000. During fiscal year 2008, no new debt was issued associated with the Clean Water Initiative project.

General Fund Budgetary Highlights

City administration and the City Council monitor and amend the budget to take into account unanticipated events that occur during the year. The budget was amended once for fiscal year 2008. Total budgeted revenues in the General Fund increased by \$200,000 primarily attributed to higher than expected interest earned on investments despite recording lower revenues related to charges from services than originally anticipated. In total, General Fund budgeted expenditures increased by approximately \$100,000. Despite savings from personnel vacancies, renegotiated insurance premiums, and various department operational efficiencies, the City incurred higher expenditures related to fuel costs and a retro-payroll adjustment for police officers after contract negotiations were settled during fiscal year 2008. At year end, actual General Fund revenues and expenditures were consistent with budgeted amounts.

Capital Assets and Long-term Debt Administration

At the end of fiscal year 2008, the City had approximately \$88 million invested in a wide range of net capital assets, including land, buildings, police and fire equipment, computer equipment, infrastructure assets (roads, bridges, sidewalks, and storm drains in which it has invested since 1980), and water and sewer lines. Included in the City's infrastructure assets are certain intangible rights to a county drain asset equal to the City's share of the debt associated with the Clean Water Initiative project. The total value of the City's infrastructure assets, net of depreciation contained in this report, remained at \$33.6 million and \$33.4 million for fiscal 2008 and 2007, respectively.

Debt reported in the financial statements typically relates to the purchase or construction of the above-mentioned capital assets and is reported as a liability on the statement of net assets. Debt service during fiscal year 2008 consisted of \$1.1 million in principal and \$1.1 million in interest on all outstanding bonds and debt obligations. During fiscal year 2008, City management negotiated a multi-year, interest-free installment agreement, the proceeds from which were used to finance the City's new accounting software system and related equipment. See the notes to the financial statements section of the report for additional information.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

In November 2007, Standard & Poor's Rating Services revised its rating outlook on the City's Building Authority existing bonds to stable from negative. Standard & Poor's also affirmed its "A+" long-term rate and "A+" underlying rating (SPUR) on bonds supported by the City of Roseville, Michigan. The "A+" rating reflects the City's access to substantial local and regional employment opportunities, ability to maintain adequate reserves, and capacity to balance its moderate debt burden with limited additional capital needs. The improved rating is in support of the City's turnaround plan, which relies on expenditure control to cure structural imbalance and attrition of City personnel, in addition to the November 2006 5.0 mills increase in the City's operating levy. The City is considered nearly developed and as such does not foresee a great deal of growth in the tax base from new construction. Accordingly, tax base growth over the past four years has historically averaged 3.0 percent, which equates to an average \$68,368 per capita. The City's revenue-raising capacity is limited as a result of levying at the Headlee limit. Further compounding the situation, the City has recently begun experiencing declining market values on real and personal properties. For fiscal year 2008, property values throughout the City were assessed at \$1.37 billion. For fiscal year 2009, the City's total assessed value has been lowered to \$1.36 billion. This is a 3.6 percent reduction in market value or approximately \$1 million loss in tax revenue, after the effects of inflation are considered. Property taxes are expected to decline further over the next two years. However, when the market does recover, under Proposal A, taxable value losses will never be fully recouped due to the mandated inflationary cap on property assessments. In addition, the City's second largest revenue source, state revenue sharing, has been cut by the State of Michigan for each of the last seven years. In 2000, the City received \$6.3 million in revenue-sharing payments from the State of Michigan. State-shared revenue payments in 2008 were approximately \$4.8 million, which represent nearly 12 percent of the General Fund operating budget. For fiscal year 2009, the City has conservatively budgeted \$4.9 million. The effects of declining state-shared revenues are further intensified once inflationary increases are factored into the equation. For example, if the City had received state-shared revenue payments, adjusted for the effects of inflation, the City would have realized an additional \$11.4 million in state funding since 2000. The City anticipates further reductions in revenue-sharing payments due to the State's continued structural deficit problems. Consequently, the City's future revenue stream has been severely compromised.

City of Roseville, Michigan

Management's Discussion and Analysis (Continued)

Expenses, on the other hand, continue to rise faster than inflation in many areas, many of which are contractual in nature and are beyond the immediate control of City management. Although City departments continue to make concerted efforts to keep departmental expenditures at a minimum, contractual obligations continue to adversely influence the City's bottom line. Contractual obligations such as negotiated wage increases, pension contributions, and healthcare benefits are increasing at rates in excess of inflation. While our pension system is fully funded, we continue to experience dramatic increases in pension fund contribution requirements due to volatile financial markets. We further expect medical cost increases of 8 percent per year, after consideration of plan restructuring and other related insurance savings. During fiscal year 2007, the City became self-insured for workers' compensation claims to further protect the City's financial and human resources in the most cost-effective manner possible. Currently, the City is in the process of renegotiating labor contracts which includes language regarding wage freezes and mandatory healthcare savings provisions for both current employees and future retirees. Staff restructuring and utilizing alternative methods to provide essential City services, where economically feasible, are avenues under consideration by City management to control costs and improve efficiency. The City anticipates overall expenses to increase on average between 5 percent and 10 percent annually.

For fiscal year 2009 and beyond, management has developed a comprehensive five-year financial plan that is updated annually and is reflected as part of the City's annual operating budget. The City continues to investigate new potential revenue opportunities and will continue to monitor and adjust expenditures to its revenue base in order to ensure that the City maintains adequate fund balance reserves. The City has not adopted a formal fund balance policy, but does target to maintain at least 10 percent of operating expenditures in the General Fund. Without question, the most adverse impact to fiscal year 2009 continues to be the estimated \$5.6 million funding for current and future retiree healthcare benefits. Despite increased designations by the City over the past three years to fund future retiree medical costs, the City remains severely underfunded with regard to GASB Statement No. 45. The new pronouncement requires the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement goes into effect on June 30, 2009.

Contacting the City's Financial Management

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, we invite you to contact the City manager at the City of Roseville, 29777 Gratiot Avenue, Roseville, MI 48066.

City of Roseville, Michigan

Statement of Net Assets June 30, 2008

| | Primary Government | | |
|--------------------------------------------------------|----------------------|----------------------|-----------------------|
| | Governmental | Business-type | |
| | Activities | Activities | Total |
| Assets | | | |
| Cash and investments (Note 3) | \$ 29,663,801 | \$ 6,227,061 | \$ 35,890,862 |
| Receivables: | | | |
| Property taxes receivable - Net of allowance | 443,058 | - | 443,058 |
| Special assessment receivable | 212,814 | - | 212,814 |
| Receivables for sales to customers on account | - | 2,890,823 | 2,890,823 |
| Accrued interest receivable | 116 | 4,349 | 4,465 |
| Other receivables | 1,675,168 | 310,620 | 1,985,788 |
| Due from other governmental units | 2,110,358 | - | 2,110,358 |
| Internal balance | 8,326 | (8,326) | - |
| Inventory | 350,910 | 134,120 | 485,030 |
| Prepaid expenses and other assets | 282,350 | - | 282,350 |
| Restricted assets (Note 1) | 174,195 | - | 174,195 |
| Investments in joint ventures (Note 12) | 7,689,631 | - | 7,689,631 |
| Capital assets not being depreciated (Note 5) | 31,339,447 | - | 31,339,447 |
| Capital assets being depreciated - Net (Note 5) | 47,661,959 | 8,747,594 | 56,409,553 |
| Total assets | 121,612,133 | 18,306,241 | 139,918,374 |
| Liabilities | | | |
| Accounts payable | 2,563,213 | 1,248,502 | 3,811,715 |
| Due to other governmental units | - | 34,138 | 34,138 |
| Refundable deposits, bonds, etc. | 221,877 | 30,629 | 252,506 |
| Accrued liabilities and other | 1,376,551 | 32,243 | 1,408,794 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Compensated absences (Note 7) | 1,403,674 | 95,183 | 1,498,857 |
| Current portion of long-term debt (Note 7) | 963,375 | - | 963,375 |
| Due in more than one year: | | | |
| Compensated absences - Net of current portion (Note 7) | 1,791,863 | 184,229 | 1,976,092 |
| Long-term debt - Net of current portion (Note 7) | 16,245,979 | - | 16,245,979 |
| Total liabilities | 24,566,532 | 1,624,924 | 26,191,456 |
| Net Assets | | | |
| Invested in capital assets - Net of related debt | 61,966,247 | 8,747,594 | 70,713,841 |
| Restricted for: | | | |
| Sanitation | 1,829,334 | - | 1,829,334 |
| Streets and highways | 2,882,130 | - | 2,882,130 |
| Debt service | 1,586,266 | - | 1,586,266 |
| Law and drug enforcement | 1,225,448 | - | 1,225,448 |
| Unrestricted | 27,556,176 | 7,933,723 | 35,489,899 |
| Total net assets | \$ 97,045,601 | \$ 16,681,317 | \$ 113,726,918 |

City of Roseville, Michigan

| | | Program Revenues | | |
|--------------------------------------------|----------------------|----------------------|---------------------|---------------------|
| | | Charges for | Operating | Capital Grants |
| | Expenses | Services | Grants and | and |
| | | | Contributions | Contributions |
| Functions/Programs | | | | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 12,276,214 | \$ 3,144,280 | \$ 308,194 | \$ - |
| Public safety | 18,904,297 | 2,714,573 | 1,449,233 | 287,451 |
| Public works | 7,740,746 | 516,591 | 3,027,925 | 1,301,297 |
| Recreation and culture | 3,899,214 | 373,383 | - | - |
| Interest expense | 1,859,805 | - | - | - |
| Total governmental activities | 44,680,276 | 6,748,827 | 4,785,352 | 1,588,748 |
| Business-type activities - Water and sewer | 11,354,130 | 11,226,157 | - | - |
| Total primary government | \$ 56,034,406 | \$ 17,974,984 | \$ 4,785,352 | \$ 1,588,748 |

General revenues:

Property taxes
 State-shared revenues
 Investment interest
 Gain on sale of capital assets and other assets
 Franchise fees
 Insurance refunds
 Miscellaneous

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended June 30, 2008

| Net (Expense) Revenue and Changes in Net Assets | | |
|-------------------------------------------------|-----------------------------|-----------------------|
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| \$ (8,823,740) | \$ - | \$ (8,823,740) |
| (14,453,040) | - | (14,453,040) |
| (2,894,933) | - | (2,894,933) |
| (3,525,831) | - | (3,525,831) |
| (1,859,805) | - | (1,859,805) |
| (31,557,349) | - | (31,557,349) |
| - | (127,973) | (127,973) |
| (31,557,349) | (127,973) | (31,685,322) |
| 30,158,281 | - | 30,158,281 |
| 5,080,321 | 901,340 | 5,981,661 |
| 1,599,629 | 248,741 | 1,848,370 |
| 24,046 | - | 24,046 |
| 582,563 | - | 582,563 |
| 17,116 | - | 17,116 |
| 247,195 | - | 247,195 |
| 37,709,151 | 1,150,081 | 38,859,232 |
| 6,151,802 | 1,022,108 | 7,173,910 |
| 90,893,799 | 15,659,209 | 106,553,008 |
| \$ 97,045,601 | \$ 16,681,317 | \$ 113,726,918 |

City of Roseville, Michigan

Governmental Funds Balance Sheet June 30, 2008

| | General Fund | Major Streets Fund | Local Streets Fund | Capital Projects Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------------|----------------------|-----------------------|-----------------------|--------------------------|--------------------------------------------|--------------------------------|
| Assets | | | | | | |
| Cash and investments (Note 3) | \$ 13,761,909 | \$ 2,263,505 | \$ 441,917 | \$ 4,251,572 | \$ 2,944,224 | \$ 23,663,127 |
| Receivables (Note 4): | | | | | | |
| Taxes | 427,236 | - | - | - | 15,822 | 443,058 |
| Special assessments | - | - | - | 212,814 | - | 212,814 |
| Accrued interest | 116 | - | - | - | - | 116 |
| Other | 956,810 | - | 1,340 | 2,118 | 320,507 | 1,280,775 |
| Due from other governmental units | 1,543,163 | 393,606 | 115,038 | - | 58,551 | 2,110,358 |
| Due from other funds (Note 6) | 473,768 | 317,290 | 585,883 | 740,000 | 2,268 | 2,119,209 |
| Prepaid expenses and other assets | 242,061 | - | - | - | 1,282 | 243,343 |
| Restricted assets (Note 8) | - | - | - | 174,195 | - | 174,195 |
| Total assets | \$ 17,405,063 | \$ 2,974,401 | \$ 1,144,178 | \$ 5,380,699 | \$ 3,342,654 | \$ 30,246,995 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 1,045,801 | \$ 267,723 | \$ 70,381 | \$ 203,651 | \$ 25,564 | \$ 1,613,120 |
| Due to other funds (Note 6) | 934,099 | 570,652 | 327,217 | 38,729 | 230,442 | 2,101,139 |
| Other liabilities | 1,183,028 | - | - | - | 5,927 | 1,188,955 |
| Cash bonds and deposits | 221,877 | - | - | - | - | 221,877 |
| Deferred revenue (Note 4) | 712,645 | - | 476 | 129,590 | 269,005 | 1,111,716 |
| Total liabilities | 4,097,450 | 838,375 | 398,074 | 371,970 | 530,938 | 6,236,807 |
| Fund Balances | | | | | | |
| Reserved for: | | | | | | |
| Sanitation | 1,829,334 | - | - | - | - | 1,829,334 |
| Drug law enforcement | - | - | - | - | 1,225,449 | 1,225,449 |
| Prepaid expenses | 242,061 | - | - | - | - | 242,061 |
| Unreserved, reported in: | | | | | | |
| General Fund: | | | | | | |
| Designated: | | | | | | |
| Capital improvements | 10,000 | - | - | - | - | 10,000 |
| Subsequent year's expenditures | 1,315,328 | - | - | - | - | 1,315,328 |
| Compensated absences | 1,472,452 | - | - | - | - | 1,472,452 |
| Working capital | 1,543,163 | - | - | - | - | 1,543,163 |
| Undesignated | 6,895,275 | - | - | - | - | 6,895,275 |
| Debt Service Funds | - | - | - | - | 1,586,267 | 1,586,267 |
| Special Revenue Funds | - | 2,136,026 | 746,104 | - | - | 2,882,130 |
| Capital Projects Fund | - | - | - | 5,008,729 | - | 5,008,729 |
| Total fund balances | 13,307,613 | 2,136,026 | 746,104 | 5,008,729 | 2,811,716 | 24,010,188 |
| Total liabilities and fund balances | \$ 17,405,063 | \$ 2,974,401 | \$ 1,144,178 | \$ 5,380,699 | \$ 3,342,654 | \$ 30,246,995 |

City of Roseville, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2008

| | |
|----------------------------------------------------|---------------|
| Fund Balance Reported in Governmental Funds | \$ 24,010,188 |
|----------------------------------------------------|---------------|

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Capital assets used in governmental activities are not financial resources and are not reported in the funds | 79,001,406 |
| Investments in joint ventures are not financial resources and are not reported in the funds | 7,689,631 |
| Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds | (17,209,352) |
| Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities | (3,195,537) |
| Bond premium/discount is not due and payable in the current period and it is not reported in the funds | 36,300 |
| Allowance for doubtful accounts is not reported in the funds for taxes receivable to be collected over several years | (9,000) |
| Inventory is not available to pay for current period expenditures | 350,910 |
| Accrued interest is not due and payable in the current period and is not reported in the funds | (178,598) |
| Deferred revenue balances are expected to be collected over several years and are not available to pay for current year expenditures | 1,111,716 |
| Internal Service Funds are also included as governmental activities | <u>5,437,937</u> |

| | |
|----------------------------------------------|-----------------------------|
| Net Assets of Governmental Activities | <u>\$ 97,045,601</u> |
|----------------------------------------------|-----------------------------|

City of Roseville, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

| | General Fund | Major Streets Fund | Local Streets Fund | Capital Projects Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------------------|----------------------|-----------------------|-----------------------|--------------------------|--------------------------------------------|--------------------------------|
| Revenues | | | | | | |
| Property taxes | \$ 28,590,986 | \$ - | \$ - | \$ - | \$ 1,602,471 | \$ 30,193,457 |
| Fees and fines | 2,465,427 | - | - | - | - | 2,465,427 |
| Licenses and permits | 501,676 | - | - | - | - | 501,676 |
| Federal sources | 271,185 | - | - | - | 671,789 | 942,974 |
| State sources | 4,949,954 | 2,456,249 | 702,043 | - | - | 8,108,246 |
| Special assessments | - | - | - | 38,535 | - | 38,535 |
| Charges for services | 293,583 | - | - | - | - | 293,583 |
| Investment income | 909,345 | 93,160 | 55,283 | 127,605 | 105,665 | 1,291,058 |
| Other | 2,302,190 | - | 1,021 | 417,745 | 1,066,811 | 3,787,767 |
| Total revenues | 40,284,346 | 2,549,409 | 758,347 | 583,885 | 3,446,736 | 47,622,723 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 13,537,083 | 200,000 | 70,000 | - | 125,477 | 13,932,560 |
| Public safety | 17,794,997 | - | - | - | 433,878 | 18,228,875 |
| Public works | 3,165,935 | 931,565 | 1,401,906 | 79,116 | 291,565 | 5,870,087 |
| Recreation and culture | 2,513,123 | - | - | - | 292,886 | 2,806,009 |
| Construction and development | 66,319 | 744,537 | 172,906 | 1,068,046 | - | 2,051,808 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 1,069,042 | 1,069,042 |
| Interest and other charges | - | - | - | - | 808,641 | 808,641 |
| Other | - | - | - | - | 308,618 | 308,618 |
| Total expenditures | 37,077,457 | 1,876,102 | 1,644,812 | 1,147,162 | 3,330,107 | 45,075,640 |
| Excess of Revenues Over (Under) | | | | | | |
| Expenditures | 3,206,889 | 673,307 | (886,465) | (563,277) | 116,629 | 2,547,083 |
| Other Financing Sources (Uses) | | | | | | |
| Proceeds From BS&A software agreement | 146,460 | - | - | - | - | 146,460 |
| Transfers in (Note 6) | - | 883,191 | 1,028,101 | 625,000 | 522,143 | 3,058,435 |
| Transfers out (Note 6) | (2,519,875) | (512,870) | - | (38,729) | - | (3,071,474) |
| Total other financing sources (uses) | (2,373,415) | 370,321 | 1,028,101 | 586,271 | 522,143 | 133,421 |
| Change in Fund Balances | 833,474 | 1,043,628 | 141,636 | 22,994 | 638,772 | 2,680,504 |
| Fund Balances - Beginning of year | 12,474,139 | 1,092,398 | 604,468 | 4,985,735 | 2,172,944 | 21,329,684 |
| Fund Balances - End of year | \$ 13,307,613 | \$ 2,136,026 | \$ 746,104 | \$ 5,008,729 | \$ 2,811,716 | \$ 24,010,188 |

City of Roseville, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ 2,680,504**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

| | |
|-------------------------------------------|-------------|
| Capital outlay | 2,588,923 |
| Value of contributed assets | 303,286 |
| Value of assets received on traded assets | 193,600 |
| Depreciation | (2,287,710) |
| Net book value of assets disposed of | (291,057) |

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 1,098,335 |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Issuance of debt is an other financing source in the governmental funds, but not in the statement of activities, where it increases long-term debt | (146,460) |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| In the statement of activities, accrued interest on debt is recorded as it accrues, but not in the governmental funds, where it is recorded when payable | 10,369 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Sale of inventory is a revenue in the governmental funds, but not in the statement of activities, where it decreases inventory asset balance | (33,618) |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------|

| | |
|-----------------------|---------|
| Joint venture revenue | 233,164 |
|-----------------------|---------|

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|
| Revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end | 61,271 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Decreases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities | (245,188) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| In the statement of activities, bond premium/discount on debt is recorded as it accrues, but not in the governmental funds, where it is recorded when payable | 7,505 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|

| | |
|---------------------------------------------------------------------|------------------|
| Internal Service Funds are also included as governmental activities | <u>1,978,878</u> |
|---------------------------------------------------------------------|------------------|

Change in Net Assets of Governmental Activities **\$ 6,151,802**

City of Roseville, Michigan

Proprietary Funds Statement of Net Assets June 30, 2008

| | Business-type Activities Enterprise Fund - Water and Sewer | Governmental Activities Internal Service Funds - Self Insurance |
|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and investments (Note 3) | \$ 6,227,061 | \$ 6,111,970 |
| Receivables: | | |
| Receivables from sales to customers on account | 2,890,823 | - |
| Accrued interest receivable | 4,349 | - |
| Other receivables | 310,620 | 285,806 |
| Due from other funds (Note 6) | 13,039 | - |
| Inventory | 134,120 | - |
| Total current assets | 9,580,012 | 6,397,776 |
| Noncurrent assets - Capital assets - Net (Note 5) | 8,747,594 | - |
| Total assets | 18,327,606 | 6,397,776 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 1,248,502 | - |
| Due to other governmental units | 34,140 | - |
| Due to other funds (Note 6) | 21,363 | 9,746 |
| Cash bonds and deposits | 30,629 | - |
| Accrued and other liabilities | 32,243 | - |
| Provision for current portion of compensated absences (Note 7) | 95,183 | - |
| Provision for claims (Note 8) | - | 950,093 |
| Total current liabilities | 1,462,060 | 959,839 |
| Noncurrent liabilities - Provision for compensated absences - Net of current portion (Note 7) | 184,229 | - |
| Total liabilities | 1,646,289 | 959,839 |
| Net Assets | | |
| Invested in capital assets | 8,747,594 | - |
| Unrestricted | 7,933,723 | 5,437,937 |
| Total net assets | <u>\$ 16,681,317</u> | <u>\$ 5,437,937</u> |

City of Roseville, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

| | Business-type Activities | Governmental Activities |
|-----------------------------------------------|--------------------------------------|----------------------------------------------|
| | Enterprise Fund - Water and Sewer | Internal Service Fund - Self Insurance |
| Operating Revenue | | |
| Sale of water | \$ 1,823,528 | \$ - |
| Sewage disposal charges | 4,544,886 | - |
| Maintenance charges | 4,465,906 | - |
| Interest and penalty charges | 286,024 | - |
| Grant revenue | 901,340 | - |
| Charges to other funds | - | 9,439,750 |
| Other miscellaneous revenues | 105,813 | - |
| | <hr/> | <hr/> |
| Total operating revenue | 12,127,497 | 9,439,750 |
| Operating Expenses | | |
| Cost of water | 1,728,885 | - |
| Cost of sewage treatment | 4,869,531 | - |
| Billing and administrative costs | 2,436,137 | - |
| Benefit payments and other costs | 1,910,287 | 7,653,351 |
| Depreciation | 422,329 | - |
| | <hr/> | <hr/> |
| Total operating expenses | 11,367,169 | 7,653,351 |
| Operating Income | 760,328 | 1,786,399 |
| Nonoperating Revenue - Interest income | 248,741 | 192,479 |
| | <hr/> | <hr/> |
| Income - Before transfers | 1,009,069 | 1,978,878 |
| Transfers in | 13,039 | - |
| | <hr/> | <hr/> |
| Change in Net Assets | 1,022,108 | 1,978,878 |
| Net Assets - Beginning of year | 15,659,209 | 3,459,059 |
| | <hr/> | <hr/> |
| Net Assets - End of year | <u><u>\$ 16,681,317</u></u> | <u><u>\$ 5,437,937</u></u> |

City of Roseville, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

| | Business-type Activities | Governmental Activities |
|----------------------------------------------------------------------------------------------|--------------------------------------|----------------------------|
| | Enterprise Fund - Water and Sewer | Internal Service Funds |
| Cash Flows from Operating Activities | | |
| Receipts from customers | \$ 11,594,479 | \$ 9,359,080 |
| Payments to employees for services | (2,437,193) | - |
| Payments to suppliers for goods and services | (8,594,712) | - |
| Payment connected with interfund service | 15,324 | 14,768 |
| Receipts connected with interfund service | 234,970 | (1,127) |
| Claims paid | - | (7,672,549) |
| Net cash provided by operating activities | 812,868 | 1,700,172 |
| Cash Flows from Capital and Related Financing Activities - Purchase of capital assets | (684,182) | - |
| Cash Flows from Investing Activities - Interest received on investments | 259,555 | 192,481 |
| Net Increase in Cash and Cash Equivalents | 388,241 | 1,892,653 |
| Cash and Cash Equivalents - Beginning of year | 5,838,820 | 4,219,317 |
| Cash and Cash Equivalents - End of year | <u>\$ 6,227,061</u> | <u>\$ 6,111,970</u> |
| Balance Sheet Classification of Cash and Cash Equivalents - | | |
| Cash and investments | <u>\$ 6,227,061</u> | <u>\$ 6,111,970</u> |
| Reconciliation of Operating Income to Net Cash from Operating Activities | | |
| Operating income | \$ 760,328 | \$ 1,786,399 |
| Adjustments to reconcile operating income to net cash from operating activities: | | |
| Depreciation and amortization | 422,329 | - |
| Changes in assets and liabilities: | | |
| Receivables | (521,217) | (80,669) |
| Other assets | (263,057) | (101,127) |
| Due from other funds | 234,970 | (19,199) |
| Inventory | 23,852 | 114,768 |
| Accounts payable | 154,682 | - |
| Accrued and other liabilities | (1,058) | - |
| Due to other governmental units | (1,488) | - |
| Due to other funds | 15,324 | - |
| Cash bond and deposits | (11,797) | - |
| Net cash provided by operating activities | <u>\$ 812,868</u> | <u>\$ 1,700,172</u> |

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2008, the Enterprise Fund had no capital contributions in the form of capital assets related to water and sewer lines donated by developers.

City of Roseville, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2008

| | Pension and Other Employee Benefit Trust Fund | Agency Funds |
|-------------------------------------------------------------------|-----------------------------------------------------|--------------------------|
| Assets | | |
| Cash and cash equivalents | \$ - | \$ 263,521 |
| Mutual funds | 2,656,243 | - |
| Corporate bonds | 7,630,351 | - |
| U.S. government securities | 15,654,705 | - |
| Common stock | 101,976,009 | - |
| Cash and investments held as collateral for securities lending | 8,099,107 | - |
| Accrued interest | 510,993 | 1,842 |
| Total assets | 136,527,408 | <u><u>\$ 265,363</u></u> |
| Liabilities | | |
| Accounts payable | - | \$ 62,602 |
| Due to other governmental units | - | 915 |
| Accrued and other liabilities | - | 201,846 |
| Obligations under securities lending agreements | 8,099,107 | - |
| Total liabilities | 8,099,107 | <u><u>\$ 265,363</u></u> |
| Net Assets - Held in trust for employee benefits | <u><u>\$ 128,428,301</u></u> | |

City of Roseville, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2008

| | Pension and Other Employee Benefit Trust Fund |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Additions | |
| Investment income: | |
| Interest and dividends | \$ 3,642,340 |
| Net decrease in fair value of investments | (8,050,330) |
| Less investment expenses | <u>(666,446)</u> |
| Net investment income | (5,074,436) |
| Contributions: | |
| Employer | 3,863,676 |
| Employee | <u>1,829,203</u> |
| Total contributions | 5,692,879 |
| Other additions | <u>143,784</u> |
| Total additions | 762,227 |
| Deductions | |
| Benefit payments | 7,859,284 |
| Refunds of contributions | 520,974 |
| Administrative expenses | <u>265,471</u> |
| Total deductions | <u>8,645,729</u> |
| Net Decrease in Net Assets Held in Trust | (7,883,502) |
| Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year | <u>136,311,803</u> |
| Net Assets Held in Trust for Pension and Other Employee Benefits - End of year | <u>\$ 128,428,301</u> |

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Roseville, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City.

Reporting Entity

The City of Roseville, Michigan is governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Roseville, Michigan and its component units. The individual component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units

The City of Roseville Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings.

The City of Roseville Employees' Retirement System has been blended into the City's financial statements. The system is governed by a five-member Pension Board that includes three individuals chosen by the City Council. The system is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the retirement system.

The City of Roseville District Court Funds have also been blended into the City's financial statements. The financial activities of the funds are limited to collections of amounts that are subsequently returned or paid to third parties. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District Court is reported as if it were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the District Court.

The City has excluded the Housing Commission from this report because the City is not able to impose its will on the Housing Commission. The Housing Commission's financial statements have been issued under separate cover.

Jointly Governed Organizations - Jointly governed organizations are discussed in Note 12.

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major Enterprise Fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

Local Streets Fund - The Local Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

Capital Projects Fund - The Capital Projects Fund accounts for the proceeds of bond issuances and all other resources used for the purpose of constructing all major capital improvement projects of the City.

The City reports the following major proprietary fund:

Enterprise Fund - The Enterprise Fund accounts for the activities of the water distribution system and sewage collection system.

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Funds accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the City. These include the Self-insurance Healthcare Fund and the Self-insurance Workers' Compensation Fund. The Self-insurance Healthcare Fund is used to account for current healthcare coverage provided for City employees and their dependents and to provide a reserve for future catastrophic healthcare claims. The Self-insurance Workers' Compensation fund is used to account for workers' compensation claims and to provide a reserve for future catastrophic workers' compensation claims.

Trust and Agency Funds - Trust and Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, employees, organizations, other governments, or other funds. These include the Employees' Pension Trust Fund, the Miscellaneous Agency Fund, the P.A.I.R. Fund, the Tax Collection Fund, and the District Court Fund. The Employees' Pension Trust Fund is accounted for in the same manner as proprietary funds. The other Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its Enterprise Fund

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund relates to charges to customers for water and sewer sales. The Enterprise Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued before December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to apply private sector standards issued after November 30, 1989 for its Enterprise Fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes - All trade and property tax receivables are shown net of allowance for uncollectible amounts. Properties are assessed as of December 31 of each year. The related property taxes are levied on each July 1 on the taxable valuation of the property as of the preceding December 31. Taxes are due by September 1 with the final collection date of February 28. Taxes are considered delinquent on March 1, at which time penalties and interest are assessed.

The City tax millage rate is 21.38, which is comprised of 19.00 general operating, 1.23 refuse collection, which is recorded in the General Fund, .15 debt service, and 1.00 Chapter 20 Drain Fund. The General Fund, General Debt Fund, and Chapter 20 Drain Fund received \$28,590,986, \$212,131, and \$1,378,600, respectively, in property tax revenue in the current year.

Note I - Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|--------------------------------------|----------------|
| Roads and sidewalks | 30 to 50 years |
| Water and sewer distribution systems | 50 to 75 years |
| Buildings and building improvements | 20 to 50 years |
| Other tools and equipment | 3 to 15 years |

Compensated Absences (Vacation and Sick Leave) - The City allows employees to accumulate earned but unused sick and vacation pay benefits. A liability for these amounts is reported in governmental funds only as it comes due for payment. The government-wide and proprietary statements accrue vacation and personal pay as it is earned and sick pay is accrued as it is used or vested (whichever is earlier). As of June 30, 2008, \$74,294 represents the portion reported in the governmental funds.

Note I - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the debt. On the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

The Lake St. Clair Clean Water Initiative construction project administered by the Macomb County Drain Commission is a multi-year infrastructure project affecting several municipalities in southeast Macomb County. Allocations of project costs and related indebtedness issued by Macomb County on behalf of the participating municipalities have been made based on engineering estimates. It is at least reasonably possible that upon completion of the project, changes to the allocations could be made that could have a material effect on the capital assets and long-term debt recorded by the City.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2008

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

| | | | |
|---------------------------------------|----|---------|-----------------------|
| Cumulative shortfall at July 1, 2007 | | | \$ (2,831,152) |
| Current year permit revenue | | | 380,670 |
| Related expenses: | | | |
| Direct costs | \$ | 971,836 | |
| Estimated indirect costs | | 97,184 | 1,069,020 |
| Current year shortfall | | | (688,350) |
| Cumulative shortfall at June 30, 2008 | | | <u>\$ (3,519,502)</u> |

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Employee Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse purchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated one bank for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's investment policy does not directly address a deposit policy for custodial credit risk. At year end, the City had \$15,799,623 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, none of the City's investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool
- Investments were book-entry only in the name of the City and were fully insured
- Investments were part of a mutual fund
- Investments were held by an agent in the City's name

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with 270-day maturity. At year end, the average maturities of investments are as follows:

| Investment | Fair Value | Weighted Average Maturity |
|---------------------------------------------------------|--------------|---------------------------|
| City of Roseville Employees' Retirement System: | | |
| Corporate bonds | \$ 7,956,253 | 3.70 years |
| Foreign bonds | 928,046 | 8.64 years |
| Municipal bonds | 185,033 | .17 years |
| U.S. government or agency bond or note | 13,921,061 | 11.22 years |
| City of Roseville - Retiree Health Care Benefits Trust: | | |
| Corporate bonds | 82,236 | 1.10 years |
| U.S. government or agency bond or note | 417,717 | 3.22 years |

City of Roseville, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Credit Risk - In compliance with State law, the City's investment policy limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment | Fair Value | Rating | Rating Organization |
|------------------------------------------------------|---------------|--------------|---------------------|
| Government-wide - Pooled funds | \$ 21,882,777 | AI | Moody's |
| City of Roseville Employees' Retirement System: | | | |
| Corporate bonds | 1,113,732 | AAA | S&P |
| Corporate bonds | 590,256 | AA+ to AA- | S&P |
| Corporate bonds | 3,186,894 | A+ to A- | S&P |
| Corporate bonds | 1,488,289 | BBB+ to BBB- | S&P |
| Corporate bonds | 336,627 | Not Rated | - |
| Foreign bonds | 351,296 | A+ to A- | S&P |
| Foreign bonds | 576,750 | BBB+ to BBB- | S&P |
| Municipal bonds | 185,033 | AA+ to AA | S&P |
| Collateralized mortgage obligations - Corporate | 1,089,942 | AAA | S&P |
| Collateralized mortgage obligations - Corporate | 150,513 | Not Rated | - |
| Pooled funds - Security lending | 2,685,577 | Not Rated | - |
| City of Roseville Retiree Healthcare Benefits Trust: | | | |
| Corporate bonds | 10,208 | AAA | S&P |
| Corporate bonds | 10,309 | AA | S&P |
| Corporate bonds | 61,719 | A+ to A | S&P |
| Pooled funds - Security lending | 81,960 | Not Rated | - |

Retirement Investments Securities Lending Transactions - The pension system has entered into securities lending transactions whereby loans of securities are made to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. State statutes permit participation in securities lending transactions and the pension system has authorized the custodians of their securities to lend securities to broker-dealers and banks pursuant to a formal loan agreement. At June 30, 2008, the pension system had limited credit risk exposure to the borrowers because the amounts the pension system owes the borrowers was less than the amount the borrowers owe the pension system.

Note 3 - Deposits and Investments (Continued)

During the year, security loans were made at the discretion of the pension system's custodial bank and United States currency was received as collateral. Borrowers were required to deliver collateral for each loan equal to but not less than 100 percent of the market value of the loaned securities. The pension system did not impose any restrictions during the past year on the amount of loans that the lending agents could make on their behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon. In addition, there were no losses during the past year resulting from default of the borrowers. Contracts with the lending agents require them to indemnify the pension system if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the system for income distributions by the securities' issuers while the securities are on loan.

All securities loans can be terminated on demand by either the pension system or the borrower. The cash collateral received on each loan was invested, together with the cash collateral of the other lenders in a pool. The average duration of such investment pools as of June 30, 2008 was 94 days. Their duration did not generally match the duration of the loans because the loans could be terminated on demand. The total amount of collateral held and the fair values of the underlying securities for the pension system as of June 30, 2008 were \$8,099,107 and \$7,821,107, respectively.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has more than 5 percent of its investments in the following:

- Employees' Retirement Systems - Loomis Core Trust NHIT CLA 18.5026%

Declines in Investment Values - Subsequent to year end, the fair value of the City's Employees' Retirement System and the Retiree Healthcare Benefits Trust portfolios declined by approximately 25 percent overall, which is consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Deferred Revenue (Continued)

At the end of the current fiscal year, the various components of deferred revenue are as follows:

| | Unavailable |
|--------------------------------------------------------------|---------------------|
| Delinquent property taxes | \$ 360,470 |
| Special assessments | 126,722 |
| Grant and categorical aid payments not yet available for use | 311,009 |
| Other | <u>313,515</u> |
| Total | <u>\$ 1,111,716</u> |

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

| | Balance July 1, 2007 | Additions | Disposals | Balance June 30, 2008 |
|----------------------------------------|-------------------------|-------------------|-------------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated - | | | | |
| Land | \$ 31,339,447 | \$ - | \$ - | \$ 31,339,447 |
| Capital assets being depreciated: | | | | |
| Roads and sidewalks | 66,095,249 | 1,265,194 | - | 67,360,443 |
| Buildings and improvements | 16,530,527 | 695,699 | - | 17,226,226 |
| Other tools and equipment | <u>12,736,049</u> | <u>1,124,916</u> | <u>586,670</u> | <u>13,274,295</u> |
| Subtotal | 95,361,825 | 3,085,809 | 586,670 | 97,860,964 |
| Accumulated depreciation: | | | | |
| Roads and sidewalks | 32,678,335 | 1,073,547 | - | 33,751,882 |
| Buildings and improvements | 6,423,158 | 433,471 | - | 6,856,629 |
| Other tools and equipment | <u>9,105,415</u> | <u>780,692</u> | <u>295,613</u> | <u>9,590,494</u> |
| Subtotal | <u>48,206,908</u> | <u>2,287,710</u> | <u>295,613</u> | <u>50,199,005</u> |
| Net capital assets being depreciated | <u>47,154,917</u> | <u>798,099</u> | <u>291,057</u> | <u>47,661,959</u> |
| Net governmental capital assets | <u>\$ 78,494,364</u> | <u>\$ 798,099</u> | <u>\$ 291,057</u> | <u>\$ 79,001,406</u> |

City of Roseville, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

| | Balance July 1, 2007 | Additions | Disposals and Adjustments | Balance June 30, 2008 |
|--------------------------------------|-------------------------|-------------------|------------------------------|--------------------------|
| Business-type Activities | | | | |
| Capital assets being depreciated: | | | | |
| Water and sewer distribution systems | \$ 19,865,099 | \$ 622,934 | \$ - | \$ 20,488,033 |
| Buildings and improvements | 126,654 | - | - | 126,654 |
| Other tools and equipment | <u>3,211,450</u> | <u>61,248</u> | <u>233,118</u> | <u>3,039,580</u> |
| Subtotal | 23,203,203 | 684,182 | 233,118 | 23,654,267 |
| Accumulated depreciation: | | | | |
| Water and sewer distribution systems | 11,810,520 | 304,869 | - | 12,115,389 |
| Buildings and improvements | 115,783 | 1,087 | - | 116,870 |
| Other tools and equipment | <u>2,791,159</u> | <u>116,373</u> | <u>233,118</u> | <u>2,674,414</u> |
| Subtotal | <u>14,717,462</u> | <u>422,329</u> | <u>233,118</u> | <u>14,906,673</u> |
| Net business-type capital assets | <u>\$ 8,485,741</u> | <u>\$ 261,853</u> | <u>\$ -</u> | <u>\$ 8,747,594</u> |

Depreciation expense was charged to programs of the primary government as follows:

| | |
|---------------------------------|---------------------|
| Governmental activities: | |
| General government | \$ 184,877 |
| Public safety | 515,950 |
| Public works | 1,221,755 |
| Recreation and culture | <u>365,128</u> |
| Total governmental activities | <u>\$ 2,287,710</u> |
| Business-type activities | <u>\$ 422,329</u> |

Construction Commitments - The City has active construction projects at year end, including various major and local street projects administered by the Michigan Department of Transportation and the Macomb County Road Commission. The remaining commitments on these projects total \$79,938 and \$357,159, respectively.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------------------------|---------------------------------------|---------------------|
| Due to/from Other Funds | | |
| General Fund | Local Streets Fund | \$ 327,217 |
| | Other governmental funds | 115,442 |
| | Internal Service Fund - W/C insurance | 9,746 |
| | Enterprise Fund - Water and sewer | <u>21,363</u> |
| | Total General Fund | 473,768 |
| Major Streets Fund | General Fund | 309,099 |
| | Capital Projects Fund | <u>8,191</u> |
| | Total Major Streets Fund | 317,290 |
| Local Streets Fund | Major Streets Fund | 570,652 |
| | Capital Projects Fund | <u>15,231</u> |
| | Total Local Streets Fund | 585,883 |
| Capital Projects Fund | General Fund | 625,000 |
| | Other governmental funds | <u>115,000</u> |
| | Total Capital Projects Funds | 740,000 |
| Other governmental funds | Capital Projects Fund | <u>2,268</u> |
| | Total other governmental funds | <u>\$ 2,119,209</u> |
| Enterprise Fund - Water and Sewer | Capital Projects Fund | <u>\$ 13,039</u> |

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

Interfund transfers reported in the fund financial statements are comprised of the following:

| | Transfers Out | | | |
|-----------------------------------|---------------------|--------------------|-----------------------|---------------------|
| | General Fund | Major Streets Fund | Capital Projects Fund | Total |
| Transfers in: | | | | |
| Major Streets Fund | \$ 875,000 | \$ - | \$ 8,191 | \$ 883,191 |
| Local Streets Fund | 500,000 | 512,870 | 15,231 | 1,028,101 |
| Capital Projects Fund | 625,000 | - | - | 625,000 |
| Other governmental funds: | | | | |
| Building Authority Debt Fund | 519,875 | - | - | 519,875 |
| Chapter 20 Drain Fund | - | - | 2,268 | 2,268 |
| Enterprise Fund - Water and sewer | - | - | 13,039 | 13,039 |
| Total | <u>\$ 2,519,875</u> | <u>\$ 512,870</u> | <u>\$ 38,729</u> | <u>\$ 3,071,474</u> |

The transfers from the General Fund to the Local Streets Fund and from the Major Streets Fund to the Local Streets Fund are to help support local road projects. The transfers from the General Fund to the Capital Projects Fund are to help support capital repairs to City-owned buildings and properties. The transfers from the General Fund to the Building Authority Debt Fund and the Chapter 20 Drain Fund are for loan/debt current year obligations. The transfers from the Capital Projects Fund to the Major Streets, Local Streets, and Debt Service Funds represent special assessment allocations.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

City of Roseville, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

The City has the following long-term debt outstanding at June 30, 2008:

Governmental Activities *

General obligations:

| | |
|---------------------------------------------------------------------------------|----------------|
| Unlimited Tax General Obligation Library Bonds | \$ 1,400,000 |
| Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006 | 4,855,000 |
| Lake St. Clair Water Initiative Drainage District - 2001 Series A | 1,898,555 |
| Lake St. Clair Water Initiative Drainage District - SRF Project 5186-01 | 3,511,091 |
| Lake St. Clair Water Initiative Drainage District - SRF Project 5186-02 | 2,425,956 |
| Lake St. Clair Water Initiative Drainage District - SRF Project 5186-03 | 469,072 |
| Lake St. Clair Water Initiative Drainage District - SRF Project 5186-05 | 286,962 |
| Lake St. Clair Water Initiative Drainage District - 2004 Series A | 2,245,550 |
| BS&A Software Agreement | <u>117,168</u> |

| | |
|----------|------------|
| Subtotal | 17,209,354 |
|----------|------------|

| | |
|-----------------------------------------------|------------------|
| Additional obligations - Compensated absences | <u>3,195,537</u> |
|-----------------------------------------------|------------------|

| | |
|----------------------------------|----------------------|
| Total governmental activity debt | <u>\$ 20,404,891</u> |
|----------------------------------|----------------------|

| | |
|----------------------------------------------------------------------------|--------------------------|
| Business-type Activities - Other obligations - Compensated absences | <u>\$ 279,412</u> |
|----------------------------------------------------------------------------|--------------------------|

* The original issue amount, principal maturing ranges, maturity date, and interest range for each issuance are located in the other financial and supplemental information section.

Long-term debt activity can be summarized as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental Activities | | | | | |
| General obligations | \$ 18,161,227 | \$ 146,460 | \$ (1,098,333) | \$ 17,209,354 | \$ 966,616 |
| Compensated absences | <u>2,950,350</u> | <u>1,609,538</u> | <u>(1,364,351)</u> | <u>3,195,537</u> | <u>1,403,674</u> |
| Total governmental activities | <u>\$ 21,111,577</u> | <u>\$ 1,755,998</u> | <u>\$ (2,462,684)</u> | <u>\$ 20,404,891</u> | <u>\$ 2,370,290</u> |
| Business-type Activities - | | | | | |
| Compensated absences | <u>\$ 284,126</u> | <u>\$ 102,771</u> | <u>\$ 107,485</u> | <u>\$ 279,412</u> | <u>\$ 95,183</u> |

City of Roseville, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for all debt, except for compensated absences, are as follows:

| | Governmental Activities | | |
|-----------|-------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2009 | \$ 966,616 | \$ 618,351 | \$ 1,584,967 |
| 2010 | 1,006,708 | 583,755 | 1,590,463 |
| 2011 | 1,047,227 | 547,004 | 1,594,231 |
| 2012 | 1,085,509 | 507,659 | 1,593,168 |
| 2013 | 1,121,694 | 466,749 | 1,588,443 |
| 2014-2018 | 5,686,348 | 1,701,934 | 7,388,282 |
| 2019-2023 | 4,441,583 | 785,946 | 5,227,529 |
| 2024-2028 | 1,258,806 | 313,667 | 1,572,473 |
| 2029-2033 | 594,862 | 30,401 | 625,263 |
| Total | <u>\$ 17,209,353</u> | <u>\$ 5,555,466</u> | <u>\$ 22,764,819</u> |

Defeased Debt

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$4,855,000 of bonds outstanding are considered defeased.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for property loss, torts, errors and omissions, and workers' compensation claims; the City is partially uninsured for employee medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The City is partially uninsured for employee medical benefit claims and workers' compensation claims.

Note 8 - Risk Management (Continued)

Under the employee medical benefit plan, the City is liable for claims up to a maximum amount of \$175,000 per employee and for the aggregate total of all employees of \$8,319,456 annually. The City has purchased stop-loss insurance coverage of \$1,000,000 for aggregate claims in excess of \$8,319,456. Under the workers' compensation plan, the City is liable for claims up to a maximum amount of \$400,000 on an individual level and \$673,238 in aggregate. All claims incurred prior to June 30, 2008 are covered under the City's previous workers' compensation insurance provider.

The City estimates the liability for employee medical benefit claims and workers' compensations claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. The estimates are recorded in the Self-insurance Internal Service Fund and the Workers' Compensation Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

| | 2008 | 2007 |
|-------------------------------------------------------------|-------------------|-------------------|
| Estimated liability - Beginning of year | \$ 969,291 | \$ 624,719 |
| Incurred claims, including claims incurred but not reported | 7,653,349 | 7,243,410 |
| Claim payments | (7,672,547) | (6,898,838) |
| Unpaid claims - End of year | <u>\$ 950,093</u> | <u>\$ 969,291</u> |

Note 9 - Defined Benefit Pension Plan

Plan Description - The City of Roseville Employees' Pension Trust Fund System is a single-employer defined benefit pension plan that is administered by the City of Roseville, Michigan; this plan covers substantially all full-time employees of the City. The system provides retirement, disability, death, and health benefits to plan members and their beneficiaries.

At June 30, 2007, the date of the most recent actuarial valuation, membership consisted of 304 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 305 current active employees. The plan does not issue a separate financial report.

Note 9 - Defined Benefit Pension Plan (Continued)

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

Funding Policy - The obligation to contribute to and maintain the system for employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 6.5 percent and 7.0 percent of gross wages for general, supervisor, and clerical members and police and fire members, respectively. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Costs - For the year ended June 30, 2008, the City's annual pension cost of \$3,863,676 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2006 using the individual entry age cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 5.0 percent per year, and (c) 0.0 percent to 3.8 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 5.0 percent. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 27 years.

Reserves - As of June 30, 2008, the plan's legally required reserves have been fully funded as follows:

| | |
|---------------------------------------|--------------|
| Reserves for employees' contributions | \$23,297,331 |
| Reserve for retired benefit payments | 79,317,885 |

City of Roseville, Michigan

Notes to Financial Statements June 30, 2008

Note 9 - Defined Benefit Pension Plan (Continued)

The following trend information includes only pension-related activity (assets, liabilities, and contributions related to health care have been excluded):

| | Year Ended June 30 | | |
|-------------------------------|--------------------|--------------|--------------|
| | 2006 | 2007 | 2008 |
| Annual pension costs (APC) | \$ 3,885,093 | \$ 3,938,255 | \$ 3,863,676 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Net pension obligation | - | - | - |

| | Year Ended June 30 | | |
|--------------------------------------------------|-------------------------------|------------|------------|
| | 2005 | 2006 | 2007 |
| | (Dollar Amounts in Thousands) | | |
| Actuarial value of assets | \$ 114,059 | \$ 119,145 | \$ 128,047 |
| Actuarial accrued liability (AAL) | \$ 135,778 | \$ 143,792 | \$ 150,926 |
| Underfunded (overfunded) AAL (UAAL, OAAL) | \$ 21,719 | \$ 24,647 | \$ 22,879 |
| Funded ratio (percentage) | 84.0% | 82.9% | 84.8% |
| Covered payroll | \$ 18,217 | \$ 17,976 | \$ 18,165 |
| UAAL, OAAL as a percentage of covered payroll | 119.2% | 137.1% | 126.0% |

Note 10 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses for public safety and general employees of the City. Currently, the plan has 274 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Note 10 - Other Postemployment Benefits (Continued)

Funding Policy - Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. In the current year, the City paid postemployment healthcare premiums of \$4,280,242, plus it contributed \$497,684 into a prefunded retiree healthcare trust, both paid entirely by the General Fund. This activity is reported in this financial statement as a Pension and Other Employee Benefit Trust Fund type. The trust has a fund balance of \$1,742,055 as of June 30, 2008.

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of June 30, 2005:

| | | |
|-----------------------------------------|----|------------|
| Actuarial value of assets | \$ | - |
| Actuarial accrued liability | | 73,768,489 |
| Unfunded AAL | | 73,768,489 |
| Funded ratio | | - |
| Annual covered payroll | | 18,216,786 |
| UAAL as a percentage of covered payroll | | 404.95% |

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 10 - Other Postemployment Benefits (Continued)

In the June 30, 2005, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend flat rate of 5 percent, adjusted for inflation. The actuarial value of assets was determined using the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2005 was 30 years.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 11 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

| | Employee Pension Trust Fund | Retiree Healthcare Benefits Trust Fund | Total |
|-------------------------------------------|-----------------------------------|-------------------------------------------------|-----------------------|
| Statement of Net Assets | | | |
| Cash and investments | \$ 134,524,360 | \$ 1,492,055 | \$ 136,016,415 |
| Receivables | 260,993 | 250,000 | 510,993 |
| Liabilities | (8,099,107) | - | (8,099,107) |
| Net assets | <u>\$ 126,686,246</u> | <u>\$ 1,742,055</u> | <u>\$ 128,428,301</u> |
| Statement of Changes in Net Assets | | | |
| Investment income | \$ (5,082,221) | \$ 7,785 | \$ (5,074,436) |
| Contributions | 5,195,195 | 497,684 | 5,692,879 |
| Other increases | 143,784 | - | 143,784 |
| Benefit payments | (7,859,284) | - | (7,859,284) |
| Other decreases | (773,031) | (13,414) | (786,445) |
| Change in Net Assets | <u>\$ (8,375,557)</u> | <u>\$ 492,055</u> | <u>\$ (7,883,502)</u> |

Note 12 - Joint Ventures

The City is a member of the Southeast Macomb Sanitary District, which provides sewage disposal to participating municipalities in Macomb County, Michigan. Other members include the cities of St. Clair Shores and Eastpointe, Michigan. The City appoints one member to the joint venture's governing board, which then approves the annual budgets. The City's equity interest at June 30, 2008 in the Southeast Macomb Sanitary District of \$7,461,264 is recorded within the governmental activities column of the statement of net assets. Complete financial statements for the Southeast Macomb Sanitary District can be obtained from their administrative offices at 20001 Pleasant Avenue, St. Clair Shores, Michigan 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The City is a member of the South Macomb Disposal Authority (the "Authority"), which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Centerline, Roseville, Eastpointe, and Warren, Michigan. The City appoints one member to the joint venture's governing board, which then approves the annual budgets. The City's equity interest in the Authority's operating reserve of \$228,367 is recorded within the governmental activities column of the statement of net assets. As of June 30, 2008, the Authority has reserves totaling approximately \$4,934,000 that have been designated for self-insurance activities.

Each participating community's equity interest in the insurance reserve is not determinable. Complete financial statements for the Southeast Macomb Sanitary District and the South Macomb Disposal Authority can be obtained from their administrative offices at 20001 Pleasant Avenue, St. Clair Shores, Michigan 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Required Supplemental Information

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--------------------------------------------|----------------------|----------------------|----------------------|---------------------------------|
| Revenue | | | | |
| Property taxes | \$ 28,274,806 | \$ 28,590,986 | \$ 28,590,986 | \$ - |
| Licenses and permits | 715,350 | 501,676 | 501,676 | - |
| Federal grants | - | 271,185 | 271,185 | - |
| State-shared revenue and grants | 4,897,500 | 4,949,954 | 4,949,954 | - |
| Other charges for services | 725,156 | 293,583 | 293,583 | - |
| Other fines and forfeitures | 2,725,500 | 2,465,427 | 2,465,427 | - |
| Investment income | 500,000 | 909,345 | 909,345 | - |
| Other revenue | 2,292,105 | 2,302,190 | 2,302,190 | - |
| Total revenue | 40,130,417 | 40,284,346 | 40,284,346 | - |
| Expenditures - Current | | | | |
| General government: | | | | |
| Governing body | 8,253,904 | 7,345,593 | 7,345,593 | - |
| Finance/Accounting/Budget department | 722,849 | 330,746 | 330,746 | - |
| Purchasing | 261,509 | 243,134 | 243,134 | - |
| Information technology/Data processing | 579,693 | 526,939 | 526,939 | - |
| Treasurer | 431,099 | 305,838 | 305,838 | - |
| Assessing | 545,131 | 497,191 | 497,191 | - |
| Clerk | 544,077 | 525,216 | 525,216 | - |
| Building and grounds | 1,086,997 | 1,194,180 | 1,194,180 | - |
| Attorney | 293,000 | 293,000 | 293,000 | - |
| Personnel | 143,669 | 121,756 | 121,756 | - |
| Other | 1,289,579 | 2,153,490 | 2,153,490 | - |
| Public safety: | | | | |
| Police/Sheriff (County) | 11,263,494 | 12,018,806 | 12,018,806 | - |
| Fire | 5,699,156 | 5,776,191 | 5,776,191 | - |
| Building inspections and related | 1,045,692 | 970,441 | 970,441 | - |
| Public works: | | | | |
| Street construction | 1,973,017 | 1,966,602 | 1,966,602 | - |
| Rubbish disposal | 2,245,007 | 2,143,465 | 2,143,465 | - |
| Street lighting | 775,000 | 688,898 | 688,898 | - |
| Other public works activities | - | (3,400) | (3,400) | - |
| Allocated to other operations | (2,330,000) | (2,603,471) | (2,603,471) | - |
| Recreation and culture: | | | | |
| Library | 1,190,415 | 1,245,297 | 1,245,297 | - |
| Parks and recreation | 1,457,926 | 1,271,226 | 1,271,226 | - |
| Other recreation and culture | 266,800 | 66,319 | 66,319 | - |
| Total expenditures | 37,738,014 | 37,077,457 | 37,077,457 | - |
| Excess of Revenue Over Expenditures | 2,392,403 | 3,206,889 | 3,206,889 | - |
| Other Financing Sources (Uses) | | | | |
| Proceeds from BS&A software agreement | - | 146,460 | 146,460 | - |
| Transfers out | (1,526,750) | (2,519,875) | (2,519,875) | - |
| Total other financing uses | (1,526,750) | (2,373,415) | (2,373,415) | - |
| Net Change in Fund Balance | 865,653 | 833,474 | 833,474 | - |
| Fund Balance - Beginning of year | 12,474,139 | 12,474,139 | 12,474,139 | - |
| Fund Balance - End of year | \$ 13,339,792 | \$ 13,307,613 | \$ 13,307,613 | \$ - |

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Major Streets Fund Year Ended June 30, 2008

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|----------------------------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| Revenue | | | | |
| State-shared revenue and grants | \$ 2,292,500 | \$ 2,456,249 | \$ 2,456,249 | \$ - |
| Investment income | 20,000 | 93,160 | 93,160 | - |
| Total revenue | 2,312,500 | 2,549,409 | 2,549,409 | - |
| Expenditures - Current | | | | |
| General government | 200,000 | 200,000 | 200,000 | - |
| Public works | 2,457,500 | 1,676,102 | 1,676,102 | - |
| Total expenditures | 2,657,500 | 1,876,102 | 1,876,102 | - |
| Excess of Revenue Over (Under) Expenditures | (345,000) | 673,307 | 673,307 | - |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 508,000 | 883,191 | 883,191 | - |
| Transfers out | - | (512,870) | (512,870) | - |
| Total other financing sources | 508,000 | 370,321 | 370,321 | - |
| Net Change in Fund Balance | 163,000 | 1,043,628 | 1,043,628 | - |
| Fund Balance - Beginning of year | 1,092,398 | 1,092,398 | 1,092,398 | - |
| Fund Balance - End of year | <u>\$ 1,255,398</u> | <u>\$ 2,136,026</u> | <u>\$ 2,136,026</u> | <u>\$ -</u> |

City of Roseville, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Local Streets Fund Year Ended June 30, 2008

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|-----------------------------------------------|--------------------|-------------------|-------------------|------------------------------------|
| Revenue | | | | |
| State-shared revenue and grants | \$ 690,000 | \$ 702,043 | \$ 702,043 | \$ - |
| Investment income | - | 55,283 | 55,283 | - |
| Other revenue | - | 1,021 | 1,021 | - |
| Total revenue | 690,000 | 758,347 | 758,347 | - |
| Expenditures - Current | | | | |
| General government | 70,000 | 70,000 | 70,000 | - |
| Public works | 1,322,000 | 1,574,812 | 1,574,812 | - |
| Total expenditures | 1,392,000 | 1,644,812 | 1,644,812 | - |
| Excess of Expenditures Over Revenue | (702,000) | (886,465) | (886,465) | - |
| Other Financing Sources - Transfers in | 1,023,500 | 1,028,101 | 1,028,101 | - |
| Net Change in Fund Balance | 321,500 | 141,636 | 141,636 | - |
| Fund Balance - Beginning of year | 604,468 | 604,468 | 604,468 | - |
| Fund Balance - End of year | <u>\$ 925,968</u> | <u>\$ 746,104</u> | <u>\$ 746,104</u> | <u>\$ -</u> |

City of Roseville, Michigan

Pension System Schedule of Funding Progress Year Ended June 30, 2008 (dollar amounts in thousands)

The schedule of funding progress is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|--------------------------------|----------------------------------------|---------------------------------------------------|---------------------------------|------------------------------------|---------------------------|--------------------------------------------------|
| 6/30/98 | \$ 97,090 | \$ 98,592 | \$ 1,502 | 98.5 | \$ 14,176 | 10.6 |
| 6/30/99 | 106,123 | 103,097 | (3,026) | 102.9 | 14,481 | (20.9) |
| 6/30/00 | 111,153 | 108,780 | (2,373) | 102.2 | 14,977 | (15.8) |
| 6/30/01 | 115,009 | 114,218 | (791) | 100.7 | 15,372 | (5.1) |
| 6/30/02 | 112,427 | 117,182 | 4,755 | 95.9 | 16,005 | 29.7 |
| 6/30/03 | 109,779 | 122,849 | 13,070 | 89.4 | 16,818 | 77.7 |
| 6/30/04 | 111,328 | 131,171 | 19,843 | 84.9 | 18,193 | 109.1 |
| 6/30/05 | 114,059 | 135,778 | 21,719 | 84.0 | 18,217 | 119.2 |
| 6/30/06 | 119,145 | 143,792 | 24,647 | 82.9 | 17,976 | 137.1 |
| 6/30/07 | 128,047 | 150,926 | 22,879 | 84.8 | 18,165 | 126.0 |

The schedule of employer contributions is as follows:

| Fiscal Year Ended | Actuarial Valuation Date | Annual Required Contribution* | Percentage Contributed |
|-------------------|-----------------------------|----------------------------------|---------------------------|
| 6/30/03 | 6/30/01 | \$ 2,449,110 | 100.0 |
| 6/30/04 | 6/30/02 | 2,813,719 | 100.0 |
| 6/30/05 | 6/30/03 | 3,295,300 | 100.0 |
| 6/30/06 | 6/30/04 | 3,885,093 | 100.0 |
| 6/30/07 | 6/30/05 | 3,938,255 | 100.0 |
| 6/30/08 | 6/30/06 | 3,863,676 | 100.0 |

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2007, the latest actuarial valuation, follows:

| | |
|---------------------------------|--------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level percent of payroll |
| Amortization period (perpetual) | 27 years |
| Asset valuation method | 4-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 7.50% |
| Projected salary increases* | 5.0% |
| *Includes inflation at | 5.0% |
| Cost of living adjustments | 0% to 3.8% |

City of Roseville, Michigan

Other Postemployment Benefits Schedule of Funding Progress Year Ended June 30, 2008

The schedule of funding progress is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll |
|--------------------------------|----------------------------------------|---------------------------------------------------|---------------------------------|------------------------------------|---------------------------|--------------------------------------------------|
| 6/30/05 | \$ - | \$ 73,768,489 | \$ 73,768,489 | - | \$ 18,216,786 | 404.9 |

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2005, the latest actuarial valuation, follows:

| | |
|---------------------------------|----------------------------------|
| Actuarial cost method | Individual entry age |
| Amortization method | Level percent of payroll, closed |
| Amortization period (perpetual) | 30 years |
| Asset valuation method | 4-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 7.50% |
| Projected salary increases* | 5.0% |
| *Includes inflation at | 5.0% |
| Cost of living adjustments | 0% to 3.8% |

City of Roseville, Michigan

Note to Required Supplemental Information June 30, 2008

Note - Budgetary Information

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's *Bulletin for Audits of Local Units of Government in Michigan*, dated April 1982 as amended by P.A. 493 of 2000:

- a. Budgets must be adopted for the General Fund and Special Revenue Funds.
- b. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
- c. The budgets must be amended when necessary.
- d. Public hearings must be held before budget adoptions.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget before being incurred.

The City adopts its budget by activity, which is in accordance with the State's legal requirements. An activity is the level that aggregates budgetary line items by departmental responsibility. This then represents the level of classification detail at which expenditures may not legally exceed appropriations. The level of detail presented in the required supplemental information budgetary comparison schedules for the major governmental funds is a summarization of the activity basis budget. Copies of the activity basis budgets for all budgeted funds are available at the office of the city clerk.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to February 1, all departments and entities within the City submit to the City manager their proposed operating budget for the fiscal year commencing the following July 1.
- On the second Tuesday in April, the City manager submits to the City Council a proposed balanced operating budget for the next fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to the first Monday in May, the budget is legally adopted by the City Council through adoption of the appropriation ordinance.

City of Roseville, Michigan

Note to Required Supplemental Information June 30, 2008

Note - Budgetary Information (Continued)

- The city manager is authorized to transfer budgeted amounts within budgetary activities; however, any revisions that alter the total expenditures of any budgetary activity must be approved by the City Council.

Budgeted amounts of the revenues and expenditures are presented for the General and Special Revenue Funds. Individual amendments were not material in relation to the original appropriations that were adopted. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The final budget amendments were approved subsequent to June 30, 2008. The impact on total budgeted revenues and expenditures is as follows:

| Fund | Revenues (Including Other Financing Sources) Increase | Expenditures (Including Transfers Out) Increase (Decrease) |
|--------------------|-------------------------------------------------------------|---------------------------------------------------------------------|
| | | |
| General Fund | \$ 300,389 | \$ 332,568 |
| Major Streets Fund | 612,100 | (268,528) |
| Local Streets Fund | 72,948 | 252,812 |

Other Supplemental Information

City of Roseville, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

| | Special Revenue Funds | | Debt Service Funds | | | |
|--------------------------------------|-----------------------------------------|-------------------------|-----------------------|-------------------|-------------------|--------------------------------------|
| | Community Development Block Grant | Drug Law Enforcement | Building Authority | General Debt | Chapter 20 Drain | Total Nonmajor Governmental Funds |
| Assets | | | | | | |
| Cash and investments | \$ 75,660 | \$ 1,166,623 | \$ 14,412 | \$ 862,864 | \$ 824,665 | \$ 2,944,224 |
| Receivables: | | | | | | |
| Taxes | - | - | - | 4,065 | 11,757 | 15,822 |
| Other | - | 320,507 | - | - | - | 320,507 |
| Due from other funds | - | - | - | - | 2,268 | 2,268 |
| Due from other governmental units | 58,551 | - | - | - | - | 58,551 |
| Prepaid expenses and other assets | 1,282 | - | - | - | - | 1,282 |
| Total assets | \$ 135,493 | \$ 1,487,130 | \$ 14,412 | \$ 866,929 | \$ 838,690 | \$ 3,342,654 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 21,908 | \$ 2,531 | \$ - | \$ - | \$ 1,125 | \$ 25,564 |
| Due to other funds | 107,658 | 1,034 | - | 6,750 | 115,000 | 230,442 |
| Other liabilities | 5,927 | - | - | - | - | 5,927 |
| Deferred revenue | - | 258,116 | - | 3,284 | 7,605 | 269,005 |
| Total liabilities | 135,493 | 261,681 | - | 10,034 | 123,730 | 530,938 |
| Fund Balances | | | | | | |
| Reserved | - | 1,225,449 | - | - | - | 1,225,449 |
| Unreserved | - | - | 14,412 | 856,895 | 714,960 | 1,586,267 |
| Total fund balances | - | 1,225,449 | 14,412 | 856,895 | 714,960 | 2,811,716 |
| Total liabilities and fund balances | \$ 135,493 | \$ 1,487,130 | \$ 14,412 | \$ 866,929 | \$ 838,690 | \$ 3,342,654 |

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended June 30, 2008

| | Special Revenue Funds | | Debt Service Funds | | | |
|----------------------------------------------------|-----------------------------------------|-------------------------|-----------------------|-------------------|-------------------|--------------------------------------|
| | Community Development Block Grant | Drug Law Enforcement | Building Authority | General Debt | Chapter 20 Drain | Total Nonmajor Governmental Funds |
| Revenue | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 212,131 | \$ 1,390,340 | \$ 1,602,471 |
| Federal sources | 567,148 | 104,641 | - | - | - | 671,789 |
| Investment income | - | 35,275 | 1,498 | 34,132 | 34,760 | 105,665 |
| Other | 142,364 | 619,961 | 158,026 | 146,460 | - | 1,066,811 |
| Total revenue | 709,512 | 759,877 | 159,524 | 392,723 | 1,425,100 | 3,446,736 |
| Expenditures - Current | | | | | | |
| General government | 125,477 | - | - | - | - | 125,477 |
| Public safety | - | 433,878 | - | - | - | 433,878 |
| Public works | 291,565 | - | - | - | - | 291,565 |
| Community services | 292,886 | - | - | - | - | 292,886 |
| Principal | - | - | 465,000 | 135,000 | 469,042 | 1,069,042 |
| Interest | - | - | 213,413 | 221,502 | 373,726 | 808,641 |
| Other charges | - | - | - | 26,071 | 282,547 | 308,618 |
| Total expenditures | 709,928 | 433,878 | 678,413 | 382,573 | 1,125,315 | 3,330,107 |
| Excess of Revenue Over (Under) Expenditures | (416) | 325,999 | (518,889) | 10,150 | 299,785 | 116,629 |
| Other Financing Sources - Transfers in | - | - | 519,875 | - | 2,268 | 522,143 |
| Change in Fund Balances | (416) | 325,999 | 986 | 10,150 | 302,053 | 638,772 |
| Fund Balances - Beginning of year | 416 | 899,450 | 13,426 | 846,745 | 412,907 | 2,172,944 |
| Fund Balances - End of year | <u>\$ -</u> | <u>\$ 1,225,449</u> | <u>\$ 14,412</u> | <u>\$ 856,895</u> | <u>\$ 714,960</u> | <u>\$ 2,811,716</u> |

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2008

| | Employee Benefit Fund | Workers' Compensation Fund | Total |
|-------------------------------------------|--------------------------|----------------------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 6,094,469 | \$ 17,501 | \$ 6,111,970 |
| Receivables - Other | 275,807 | - | 275,807 |
| Due from other funds | - | 105,022 | 105,022 |
| Prepaid expenses and other assets | - | 10,000 | 10,000 |
| Total assets | 6,370,276 | 132,523 | 6,502,799 |
| Liabilities - Provision for claims | 983,384 | 81,478 | 1,064,862 |
| Net Assets - Unrestricted | <u>\$ 5,386,892</u> | <u>\$ 51,045</u> | <u>\$ 5,437,937</u> |

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2008

| | Employee Benefit Fund | Workers' Compensation Fund | Total |
|--------------------------------------------------------------|----------------------------|----------------------------------|----------------------------|
| Operating Revenues - Charges to other funds | \$ 9,310,471 | \$ 129,279 | \$ 9,439,750 |
| Operating Expenses - Benefit payments and other costs | <u>7,445,833</u> | <u>207,518</u> | <u>7,653,351</u> |
| Operating Income (Loss) | 1,864,638 | (78,239) | 1,786,399 |
| Nonoperating Revenue - Investment income | 192,077 | 402 | 192,479 |
| Operating Transfer | <u>(100,000)</u> | <u>100,000</u> | <u>-</u> |
| Change in Net Assets | 1,956,715 | 22,163 | 1,978,878 |
| Net Assets - Beginning of year | <u>3,430,177</u> | <u>28,882</u> | <u>3,459,059</u> |
| Net Assets - End of year | <u><u>\$ 5,386,892</u></u> | <u><u>\$ 51,045</u></u> | <u><u>\$ 5,437,937</u></u> |

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2008

| | Employee Benefit Fund | Workers' Compensation Fund | Total |
|---------------------------------------------------------------------------------------------|--------------------------|----------------------------------|---------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from customers | \$ 9,185,200 | \$ 173,880 | \$ 9,359,080 |
| Payments connected with interfund service | 5,022 | 9,746 | 14,768 |
| Receipts connected with interfund service | - | (1,127) | (1,127) |
| Claims paid | (7,501,431) | (171,118) | (7,672,549) |
| Net cash provided by operating activities | 1,688,791 | 11,381 | 1,700,172 |
| Cash Flows from Investing Activities - Interest received on investments | 192,079 | 402 | 192,481 |
| Net Increase in Cash and Cash Equivalents | 1,880,870 | 11,783 | 1,892,653 |
| Cash and Cash Equivalents - Beginning of year | 4,213,599 | 5,718 | 4,219,317 |
| Cash and Cash Equivalents - End of year | <u>\$ 6,094,469</u> | <u>\$ 17,501</u> | <u>\$ 6,111,970</u> |
| Balance Sheet Classification of Cash and Cash Equivalents - Cash and investments | <u>\$ 6,094,469</u> | <u>\$ 17,501</u> | <u>\$ 6,111,970</u> |
| Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities | | | |
| Operating income (loss) | \$ 1,864,638 | \$ (78,239) | \$ 1,786,399 |
| Changes in assets and liabilities: | | | |
| Operating transfers (out) in | (100,000) | 100,000 | - |
| Receivables | (125,270) | 44,601 | (80,669) |
| Due from other funds | - | (101,127) | (101,127) |
| Accounts payable | (55,599) | 36,400 | (19,199) |
| Due to other funds | 105,022 | 9,746 | 114,768 |
| Net cash provided by operating activities | <u>\$ 1,688,791</u> | <u>\$ 11,381</u> | <u>\$ 1,700,172</u> |

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Net Assets Pension Trust and Agency Funds June 30, 2008

| | Pension Trust Funds | | | Agency Funds | | | | | |
|---------------------------------------------------------|-------------------------------|----------------------------------------|---------------------------|-----------------|------------------|------------------|-------------------|-----------------------|--------------------|
| | Employees' Pension Trust Fund | Retiree Healthcare Benefits Trust Fund | Total Pension Trust Funds | Tax Collections | Misc. Agency | P.A.I.R. | Court | County and School Tax | Total Agency Funds |
| Assets | | | | | | | | | |
| Cash and investments | \$ - | \$ - | \$ - | \$ 915 | \$ 36,868 | \$ 17,526 | \$ 208,212 | \$ - | \$ 263,521 |
| Investments: | | | | | | | | | |
| U.S. government securities | 15,236,988 | 417,717 | 15,654,705 | - | - | - | - | - | - |
| Stocks | 101,065,867 | 910,142 | 101,976,009 | - | - | - | - | - | - |
| Bonds | 7,548,115 | 82,236 | 7,630,351 | - | - | - | - | - | - |
| Mutual funds | 2,574,283 | 81,960 | 2,656,243 | - | - | - | - | - | - |
| Securities lending | 8,099,107 | - | 8,099,107 | - | - | - | - | - | - |
| Receivables | 260,993 | 250,000 | 510,993 | - | - | 1,842 | - | - | 1,842 |
| Total assets | 134,785,353 | 1,742,055 | 136,527,408 | <u>\$ 915</u> | <u>\$ 36,868</u> | <u>\$ 19,368</u> | <u>\$ 208,212</u> | <u>\$ -</u> | <u>\$ 265,363</u> |
| Liabilities | | | | | | | | | |
| Accounts payable | - | - | - | \$ - | \$ 40,783 | \$ 19,368 | \$ 2,451 | \$ - | \$ 62,602 |
| Due to other governmental units | - | - | - | 915 | - | - | - | - | 915 |
| Accrued liabilities and other | - | - | - | - | (3,915) | - | 205,761 | - | 201,846 |
| Obligations under securities lending arrangements | 8,099,107 | - | 8,099,107 | - | - | - | - | - | - |
| Total liabilities | 8,099,107 | - | 8,099,107 | <u>\$ 915</u> | <u>\$ 36,868</u> | <u>\$ 19,368</u> | <u>\$ 208,212</u> | <u>\$ -</u> | <u>\$ 265,363</u> |
| Net Assets - Held in trust for employee benefits | <u>\$ 126,686,246</u> | <u>\$ 1,742,055</u> | <u>\$ 128,428,301</u> | | | | | | |

City of Roseville, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2008

| | Employees' Pension Trust Fund | Retiree Healthcare Benefits Trust Fund | Total |
|-------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------------|-----------------------|
| Additions | | | |
| Investment income: | | | |
| Interest and dividends | \$ 3,602,562 | \$ 39,778 | \$ 3,642,340 |
| Net decrease in fair value of investments | (8,018,337) | (31,993) | (8,050,330) |
| Less investment expenses | (666,446) | - | (666,446) |
| Net investment income | (5,082,221) | 7,785 | (5,074,436) |
| Contributions: | | | |
| Employer | 3,863,676 | - | 3,863,676 |
| Employee | 1,331,519 | 497,684 | 1,829,203 |
| Total contributions | 5,195,195 | 497,684 | 5,692,879 |
| Other additions | 143,784 | - | 143,784 |
| Total additions | 256,758 | 505,469 | 762,227 |
| Deductions | | | |
| Benefit payments | 7,859,284 | - | 7,859,284 |
| Refunds of contributions | 520,974 | - | 520,974 |
| Administrative expenses | 252,057 | 13,414 | 265,471 |
| Total deductions | 8,632,315 | 13,414 | 8,645,729 |
| Net (Decrease) Increase in Net Assets Held in Trust | (8,375,557) | 492,055 | (7,883,502) |
| Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year | 135,061,803 | 1,250,000 | 136,311,803 |
| Net Assets Held in Trust for Pension and Other Employee Benefits - End of year | <u>\$ 126,686,246</u> | <u>\$ 1,742,055</u> | <u>\$ 128,428,301</u> |

City of Roseville, Michigan

Schedule of Indebtedness June 30, 2008

| Description | Interest Rate (Percent) | Date of Maturity | Amount of Annual Maturity | Principal Outstanding | |
|-----------------------------------------------------------------------------|----------------------------|---------------------|------------------------------|-----------------------|------------|
| | | | | June 30 | |
| | | | | 2008 | 2007 |
| General Obligation Bonds | | | | | |
| Unlimited Tax General Obligation Library Bonds | | | | | |
| Date of issue - November 1, 1995 | | | | | |
| Amount of issue - \$2,715,000 | | | | | |
| | 4.900 | 11/01/07 | \$ 135,000 | \$ - | \$ 135,000 |
| | 5.000 | 11/01/08 | 140,000 | 140,000 | 140,000 |
| | 5.050 | 11/01/09 | 150,000 | 150,000 | 150,000 |
| | 5.100 | 11/01/10 | 160,000 | 160,000 | 160,000 |
| | 5.100 | 11/01/11 | 170,000 | 170,000 | 170,000 |
| | 5.100 | 11/01/12 | 180,000 | 180,000 | 180,000 |
| | 5.125 | 11/01/13 | 190,000 | 190,000 | 190,000 |
| | 5.125 | 11/01/14 | 200,000 | 200,000 | 200,000 |
| | 5.125 | 11/01/15 | 210,000 | 210,000 | 210,000 |
| | | | | 1,400,000 | 1,535,000 |
| Building Authority Bonds | | | | | |
| Building Authority Refunding Bonds - Series 1993 | | | | | |
| Date of issue - March 31, 1993 | | | | | |
| Amount of issue - \$2,450,000 | | | | | |
| | 5.25 | 05/01/08 | 150,000 | - | 150,000 |
| | | | | - | 150,000 |
| Building Authority Police/Court/Fire Station Renovation Bonds - Series 1999 | | | | | |
| Date of issue - November 1, 1999 | | | | | |
| Amount of issue - \$6,500,000 | | | | | |
| | 5.00 | 10/01/07 | 275,000 | - | 275,000 |
| | | | | - | 275,000 |

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2008

| Description | Interest Rate (Percent) | Date of Maturity | Amount of Annual Maturity | Principal Outstanding | |
|---------------------------------------------------------------------------------|----------------------------|---------------------|------------------------------|-----------------------|--------------|
| | | | | June 30 | |
| | | | | 2008 | 2007 |
| Building Authority Bonds (Continued) | | | | | |
| Building Authority Limited Tax General Obligation Refunding Bonds - Series 2006 | | | | | |
| Date of issue - October 1, 2006 | | | | | |
| Amount of issue - \$4,895,000 | | | | | |
| | 5.00 | 10/01/07 | \$ 40,000 | \$ - | \$ 40,000 |
| | 5.00 | 10/01/08 | 315,000 | 315,000 | 315,000 |
| | 5.00 | 10/01/09 | 330,000 | 330,000 | 330,000 |
| | 5.00 | 10/01/10 | 345,000 | 345,000 | 345,000 |
| | 5.10 | 10/01/11 | 360,000 | 360,000 | 360,000 |
| | 5.10 | 10/01/12 | 400,000 | 400,000 | 400,000 |
| | 5.20 | 10/01/13 | 390,000 | 390,000 | 390,000 |
| | 5.20 | 10/01/14 | 410,000 | 410,000 | 410,000 |
| | 5.38 | 10/01/15 | 425,000 | 425,000 | 425,000 |
| | 5.38 | 10/01/16 | 440,000 | 440,000 | 440,000 |
| | 5.38 | 10/01/17 | 460,000 | 460,000 | 460,000 |
| | 5.50 | 10/01/18 | 480,000 | 480,000 | 480,000 |
| | 5.55 | 10/01/19 | 500,000 | 500,000 | 500,000 |
| | | | | 4,855,000 | 4,895,000 |
| Total Building Authority bonds | | | | \$ 4,855,000 | \$ 5,320,000 |

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2008

| Description | Interest Rate (Percent) | Date of Maturity | Amount of Annual Maturity | Principal Outstanding | |
|--------------------------------------------------------------|----------------------------|---------------------|------------------------------|-----------------------|-----------|
| | | | | June 30 | |
| | | | | 2008 | 2007 |
| County Drain Contract Obligations | | | | | |
| Lake St. Clair Water Initiative Drainage District - Series A | | | | | |
| Date of issue - January 1, 2001 | | | | | |
| Amount of issue - \$2,152,845 | | | | | |
| | 4.30 | 10/01/07 | \$ 47,410 | \$ - | \$ 47,410 |
| | 4.30 | 10/01/08 | 49,565 | 49,565 | 49,565 |
| | 4.30 | 10/01/09 | 51,720 | 51,720 | 51,720 |
| | 4.30 | 10/01/10 | 53,875 | 53,875 | 53,875 |
| | 4.30 | 10/01/11 | 56,030 | 56,030 | 56,030 |
| | 4.30 | 10/01/12 | 59,263 | 59,263 | 59,263 |
| | 4.30 | 10/01/13 | 61,418 | 61,418 | 61,418 |
| | 4.30 | 10/01/14 | 64,650 | 64,650 | 64,650 |
| | 4.30 | 10/01/15 | 67,883 | 67,883 | 67,883 |
| | 4.30 | 10/01/16 | 71,115 | 71,115 | 71,115 |
| | 4.30 | 10/01/17 | 75,425 | 75,425 | 75,425 |
| | 4.30 | 10/01/18 | 79,735 | 79,735 | 79,735 |
| | 4.30 | 10/01/19 | 82,967 | 82,967 | 82,967 |
| | 4.30 | 10/01/20 | 87,277 | 87,277 | 87,277 |
| | 4.30 | 10/01/21 | 92,665 | 92,665 | 92,665 |
| | 4.30 | 10/01/22 | 96,975 | 96,975 | 96,975 |
| | 4.30 | 10/01/23 | 102,363 | 102,363 | 102,363 |
| | 4.30 | 10/01/24 | 108,827 | 108,827 | 108,827 |
| | 4.30 | 10/01/25 | 114,215 | 114,215 | 114,215 |
| | 4.30 | 10/01/26 | 120,680 | 120,680 | 120,680 |
| | 4.30 | 10/01/27 | 127,145 | 127,145 | 127,145 |
| | 4.30 | 10/01/28 | 133,610 | 133,610 | 133,610 |
| | 4.30 | 10/01/29 | 141,152 | 141,152 | 141,152 |
| | | | | 1,898,555 | 1,945,965 |

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2008

| Description | Interest Rate (Percent) | Date of Maturity | Amount of Annual Maturity | Principal Outstanding | |
|-------------------------------------------------------------------------------|----------------------------|---------------------|------------------------------|-----------------------|------------|
| | | | | June 30 | |
| | | | | 2008 | 2007 |
| County Drain Contract Obligations (Continued) | | | | | |
| Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-01 | | | | | |
| Date of issue - December 20, 2000 | | | | | |
| City's portion of issuance - \$4,417,179 | | | | | |
| | 2.50 | 10/01/07 | \$ 190,193 | \$ - | \$ 190,193 |
| | 2.50 | 10/01/08 | 195,536 | 195,536 | 195,536 |
| | 2.50 | 10/01/09 | 199,809 | 199,809 | 199,809 |
| | 2.50 | 10/01/10 | 205,152 | 205,152 | 205,152 |
| | 2.50 | 10/01/11 | 210,495 | 210,495 | 210,495 |
| | 2.50 | 10/01/12 | 215,837 | 215,837 | 215,837 |
| | 2.50 | 10/01/13 | 221,179 | 221,179 | 221,179 |
| | 2.50 | 10/01/14 | 226,522 | 226,522 | 226,522 |
| | 2.50 | 10/01/15 | 232,933 | 232,933 | 232,933 |
| | 2.50 | 10/01/16 | 238,275 | 238,275 | 238,275 |
| | 2.50 | 10/01/17 | 244,686 | 244,686 | 244,686 |
| | 2.50 | 10/01/18 | 251,098 | 251,098 | 251,098 |
| | 2.50 | 10/01/19 | 257,509 | 257,509 | 257,509 |
| | 2.50 | 10/01/20 | 263,919 | 263,919 | 263,919 |
| | 2.50 | 10/01/21 | 270,331 | 270,331 | 270,331 |
| | 2.50 | 10/01/22 | 277,810 | 277,810 | 277,810 |
| | | | | 3,511,091 | 3,701,284 |

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2008

| Description | Interest Rate (Percent) | Date of Maturity | Amount of Annual Maturity | Principal Outstanding | |
|-------------------------------------------------------------------------------|----------------------------|---------------------|------------------------------|-----------------------|------------|
| | | | | June 30 | |
| | | | | 2008 | 2007 |
| County Drain Contract Obligations (Continued) | | | | | |
| Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-02 | | | | | |
| Date of issue - December 20, 2001 | | | | | |
| City's portion of issuance - \$3,051,757 | | | | | |
| | 2.50 | 10/01/07 | \$ 130,981 | \$ - | \$ 130,981 |
| | 2.50 | 10/01/08 | 134,340 | 134,340 | 134,340 |
| | 2.50 | 10/01/09 | 137,699 | 137,699 | 137,699 |
| | 2.50 | 10/01/10 | 142,177 | 142,177 | 142,177 |
| | 2.50 | 10/01/11 | 145,535 | 145,535 | 145,535 |
| | 2.50 | 10/01/12 | 148,894 | 148,894 | 148,894 |
| | 2.50 | 10/01/13 | 153,372 | 153,372 | 153,372 |
| | 2.50 | 10/01/14 | 156,730 | 156,730 | 156,730 |
| | 2.50 | 10/01/15 | 161,208 | 161,208 | 161,208 |
| | 2.50 | 10/01/16 | 164,567 | 164,567 | 164,567 |
| | 2.50 | 10/01/17 | 169,045 | 169,045 | 169,045 |
| | 2.50 | 10/01/18 | 173,522 | 173,522 | 173,522 |
| | 2.50 | 10/01/19 | 178,000 | 178,000 | 178,000 |
| | 2.50 | 10/01/20 | 182,477 | 182,477 | 182,478 |
| | 2.50 | 10/01/21 | 186,956 | 186,956 | 186,956 |
| | 2.50 | 10/01/22 | 191,434 | 191,434 | 191,434 |
| | | | | 2,425,956 | 2,556,938 |

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2008

| Description | Interest Rate (Percent) | Date of Maturity | Amount of Annual Maturity | Principal Outstanding | |
|-------------------------------------------------------------------------------|----------------------------|---------------------|------------------------------|-----------------------|-----------|
| | | | | June 30 | |
| | | | | 2008 | 2007 |
| County Drain Contract Obligations (Continued) | | | | | |
| Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-03 | | | | | |
| Date of issue - December 20, 2001 | | | | | |
| City's portion of issuance - \$591,096 | | | | | |
| | 2.50 | 10/01/07 | \$ 25,748 | \$ - | \$ 25,748 |
| | 2.50 | 10/01/08 | 25,748 | 25,748 | 25,748 |
| | 2.50 | 10/01/09 | 26,868 | 26,868 | 26,868 |
| | 2.50 | 10/01/10 | 27,987 | 27,987 | 27,987 |
| | 2.50 | 10/01/11 | 27,987 | 27,987 | 27,987 |
| | 2.50 | 10/01/12 | 29,107 | 29,107 | 29,107 |
| | 2.50 | 10/01/13 | 29,107 | 29,107 | 29,107 |
| | 2.50 | 10/01/14 | 30,227 | 30,227 | 30,227 |
| | 2.50 | 10/01/15 | 31,346 | 31,346 | 31,346 |
| | 2.50 | 10/01/16 | 31,346 | 31,346 | 31,346 |
| | 2.50 | 10/01/17 | 32,466 | 32,466 | 32,466 |
| | 2.50 | 10/01/18 | 33,585 | 33,585 | 33,585 |
| | 2.50 | 10/01/19 | 34,705 | 34,705 | 34,705 |
| | 2.50 | 10/01/20 | 35,824 | 35,824 | 35,824 |
| | 2.50 | 10/01/21 | 35,824 | 35,824 | 35,824 |
| | 2.50 | 10/01/22 | 36,944 | 36,945 | 36,944 |
| | | | | 469,072 | 494,819 |

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2008

| Description | Interest Rate (Percent) | Date of Maturity | Amount of Annual Maturity | Principal Outstanding | |
|-------------------------------------------------------------------------------|----------------------------|---------------------|------------------------------|-----------------------|-----------|
| | | | | June 30 | |
| | | | | 2008 | 2007 |
| County Drain Contract Obligations (Continued) | | | | | |
| Lake St. Clair Water Initiative Drain Drainage District - SRF Project 5186-05 | | | | | |
| Date of issue - June 26, 2003 | | | | | |
| City's portion of issuance - \$343,298 | | | | | |
| | 2.50 | 10/01/07 | \$ 14,084 | \$ - | \$ 14,084 |
| | 2.50 | 10/01/08 | 14,084 | 14,084 | 14,084 |
| | 2.50 | 10/01/09 | 15,845 | 15,845 | 15,845 |
| | 2.50 | 10/01/10 | 15,845 | 15,845 | 15,845 |
| | 2.50 | 10/01/11 | 15,845 | 15,845 | 15,845 |
| | 2.50 | 10/01/12 | 15,845 | 15,845 | 15,845 |
| | 2.50 | 10/01/13 | 15,845 | 15,845 | 15,845 |
| | 2.50 | 10/01/14 | 17,605 | 17,605 | 17,605 |
| | 2.50 | 10/01/15 | 17,605 | 17,605 | 17,605 |
| | 2.50 | 10/01/16 | 17,605 | 17,605 | 17,605 |
| | 2.50 | 10/01/17 | 19,365 | 19,365 | 19,365 |
| | 2.50 | 10/01/18 | 19,365 | 19,365 | 19,365 |
| | 2.50 | 10/01/19 | 19,365 | 19,365 | 19,365 |
| | 2.50 | 10/01/20 | 19,365 | 19,365 | 19,365 |
| | 2.50 | 10/01/21 | 21,126 | 21,126 | 21,126 |
| | 2.50 | 10/01/22 | 21,126 | 21,126 | 21,126 |
| | 2.50 | 10/01/23 | 21,126 | 21,126 | 21,126 |
| | | | | 286,962 | 301,046 |

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2008

| Description | Interest Rate (Percent) | Date of Maturity | Amount of Annual Maturity | Principal Outstanding | |
|--------------------------------------------------------------|----------------------------|---------------------|------------------------------|-----------------------|---------------|
| | | | | June 30 | |
| | | | | 2008 | 2007 |
| County Drain Contract Obligations (Continued) | | | | | |
| Lake St. Clair Water Initiative Drainage District - Series A | | | | | |
| Date of issue - June 1, 2004 | | | | | |
| Amount of issue - \$2,425,000 | | | | | |
| | 4.375 | 10/01/07 | \$ 60,625 | \$ - | \$ 60,625 |
| | 4.375 | 10/01/08 | 63,050 | 63,050 | 63,050 |
| | 4.375 | 10/01/09 | 65,475 | 65,475 | 65,475 |
| | 4.375 | 10/01/10 | 67,900 | 67,900 | 67,900 |
| | 4.375 | 10/01/11 | 70,325 | 70,325 | 70,325 |
| | 4.375 | 10/01/12 | 72,750 | 72,750 | 72,750 |
| | 4.375 | 10/01/13 | 75,175 | 75,175 | 75,175 |
| | 4.375 | 10/01/14 | 77,600 | 77,600 | 77,600 |
| | 4.375 | 10/01/15 | 82,450 | 82,450 | 82,450 |
| | 4.375 | 10/01/16 | 84,875 | 84,875 | 84,875 |
| | 4.375 | 10/01/17 | 89,725 | 89,725 | 89,725 |
| | 4.500 | 10/01/18 | 92,150 | 92,150 | 92,150 |
| | 4.625 | 10/01/19 | 97,000 | 97,000 | 97,000 |
| | 4.625 | 10/01/20 | 101,850 | 101,850 | 101,850 |
| | 4.750 | 10/01/21 | 106,700 | 106,700 | 106,700 |
| | 4.750 | 10/01/22 | 113,975 | 113,975 | 113,975 |
| | 4.875 | 10/01/23 | 118,825 | 118,825 | 118,825 |
| | 5.000 | 10/01/24 | 126,100 | 126,100 | 126,100 |
| | 5.000 | 10/01/25 | 133,375 | 133,375 | 133,375 |
| | 5.000 | 10/01/26 | 140,650 | 140,650 | 140,650 |
| | 5.000 | 10/01/27 | 145,500 | 145,500 | 145,500 |
| | 5.000 | 10/01/28 | 157,625 | 157,625 | 157,625 |
| | 5.000 | 10/01/29 | 218,400 | 218,400 | 218,400 |
| Subtotal | | | | 2,301,475 | 2,362,100 |
| Less amounts not drawndown | | | | (55,925) | (55,925) |
| Total | | | | 2,245,550 | 2,306,175 |
| Total County Drain Contract obligations | | | | \$ 10,837,186 | \$ 11,306,227 |

City of Roseville, Michigan

Schedule of Indebtedness (Continued) June 30, 2008

| Description | Interest Rate (Percent) | Date of Maturity | Amount of Annual Maturity | Principal Outstanding | |
|--------------------------------------|----------------------------|---------------------|------------------------------|-----------------------|------|
| | | | | June 30 2008 | 2007 |
| Installment Loan Obligation | | | | | |
| Installment loan - Computer Software | | | | | |
| Date of issue - May 2008 | | | | | |
| Amount of issue - \$151,860 | | | | | |
| | - | 5/01/09 | \$ 29,292 | \$ 29,292 | \$ - |
| | - | 5/01/10 | 29,292 | 29,292 | - |
| | - | 5/01/11 | 29,292 | 29,292 | - |
| | - | 5/01/12 | 29,292 | 29,292 | - |
| Total installment loan obligation | | | | \$ 117,168 | \$ - |

City of Roseville, Michigan

**Federal Awards
Supplemental Information
June 30, 2008**

City of Roseville, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 11, 2008. Those basic financial statements are the responsibility of the management of the City of Roseville, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Roseville, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

December 11, 2008

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Roseville, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, the City of Roseville, Michigan's management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 11, 2008

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

Compliance

We have audited the compliance of the City of Roseville, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. The major federal program of the City of Roseville, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Roseville, Michigan's management. Our responsibility is to express an opinion on the City of Roseville, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Roseville, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

Internal Control Over Compliance

The management of the City of Roseville, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, the City of Roseville, Michigan's management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 11, 2008

City of Roseville, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

| Federal Agency/Pass-through Agency/Program Title | CFDA Number | Pass-through Entity Project/Grant Number | Award Amount | Federal Expenditures |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------------------------------------|-----------------|-------------------------|
| U.S. Department of Housing and Urban Development - Direct Fund - Community Development Block Grant: | | | | |
| Program Year 2007 - B-00-MC-26-00010 | 14.218 | N/A | \$ 710,422 | \$ 710,422 |
| Program Year 2008 - B-00-MC-26-00010 | 14.218 | N/A | 583,085 | - |
| Total U.S. Department of Housing and Urban Development | | | | 710,422 |
| U.S. Department of Transportation - Passed through the Michigan State Police Drive MI Safety Task Force - 2007 Drive MI Safety Task Force | 20.215 | N/A | 26,413 | 26,413 |
| U.S. Department of Justice - Passed through Community Oriented Policing Services: | | | | |
| Radio Interoperability - 2006-CK-WX-0058 | 16.710 | MI50713 | 592,337 | 149,356 |
| Radio Interoperability - 2006-CK-WX-0354 | 16.710 | MI50713 | 296,168 | - |
| Protect our Schools Technology Program | 16.710 | 2007-CK-WX-0133 | 229,834 | 11,450 |
| Total Passed through Community Oriented Policing Services | | | | 160,806 |
| Passed through Edward Byrne Memorial Justice Assistance Officer Accountability Digital Camera Program - 2006-DJ-BX-0216 | 16.738 | N/A | 11,678 | 11,678 |
| Passed through Macomb Co. Department of Health 2007 Byrne Justice Assistance Grant | 16.738 | 2007-DJ-BX-0569 | 27,959 | 27,959 |
| Passed through Macomb Co. Department of Community Corrections 2007 Byrne Justice Assistance Grant | 16.738 | 72109-5-08-B | 17,017 | 16,506 |
| Passed through Drug Enforcement Administration - Organized Crime Drug Enforcement Task Forces | 16.unknown | 17-04-0228 | 104,641 | 104,641 |
| Passed through Macomb Co. Department of Emergency Management - 2006 Enforcing Underage Drinking Laws Program | 16.727 | OJJDP-05-23 | 4,833 | 4,833 |
| Total U.S. Department of Justice | | | | 326,423 |
| U.S. Department of Homeland Security - Federal Emergency Management Agency: | | | | |
| Passed through Oakland Co. Department of Emergency Management - 2006 UASI Homeland Security Grant Program | 97.067 | N/A | 61,700 | 61,700 |
| Passed through Macomb Co. Department of Emergency Management - 2006 Homeland Security Grant Program | 97.004 | N/A | 17,577 | 17,577 |
| Total U.S. Department of Homeland Security | | | | 79,277 |
| Total federal awards | | | | <u>\$ 1,142,535</u> |

City of Roseville, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Revenue from federal sources - As reported on financial statements (includes all funds) | \$ 942,974 |
| Amounts spent by City of Roseville, Michigan during the year ended June 30, 2007 and not reimbursed by the U.S. Department of Transportation until the year ended June 30, 2008 | (10,097) |
| Amounts spent by City of Roseville, Michigan during the year ended June 30, 2007 and not reimbursed by the U.S. Department of Justice until the year ended June 30, 2008 | (151,602) |
| Amounts spent by City of Roseville, Michigan not yet reimbursed by the U.S. Department of Transportation | 17,449 |
| Amounts spent by City of Roseville, Michigan not yet reimbursed by the U.S. Department of Justice | 273,005 |
| Amounts spent by City of Roseville, Michigan not yet reimbursed by the U.S. Department of Homeland Security | 9,106 |
| Federal Emergency Management Agency Noncash Grant | <u>61,700</u> |
| Federal expenditures per the schedule of expenditures of federal awards | <u><u>\$ 1,142,535</u></u> |

City of Roseville, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Roseville, Michigan (the "City") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

| | Current Year CFDA Number | Cash Transferred to Subrecipient |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------------|
| <u>Passed through Community Oriented Policing Services</u> | <u>Number</u> | <u></u> |
| U.S. Department of Housing and Urban Development - Community Development Block Grant - Passed through to: | 14.218 | |
| Chores - Macomb County | | \$ 22,258 |
| Lighthouse | | 11,793 |
| Care House | | 6,600 |
| MCREST - Shelter Program | | 2,000 |
| St. Vincent De Paul | | 8,437 |
| Habitat | | 4,773 |
| Macomb Intermediate School District | | 3,000 |
| Catholic Services of Macomb | | 40,000 |
| Solid Ground | | <u>3,000</u> |
| Total | | <u>\$ 101,862</u> |

City of Roseville, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 2 - Subrecipient Awards (Continued)

| Program Title/Project Number/Subrecipient Name | CFDA Number | Current Year |
|-----------------------------------------------------------------------------------------------------------------------------|----------------|-------------------------------------|
| | | Cash Transferred to Subrecipient |
| U.S. Department of Justice - Community Oriented Policing Services (COPS) - Radio Interoperability - 2006-CK-WX-0058 - | | |
| Passed through to: | 16.710 | |
| City of Fraser | | \$ 14,054 |
| Village of St. Clair Shores | | <u>2,301</u> |
| Total | | <u><u>\$ 16,355</u></u> |

City of Roseville, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program(s):

| CFDA Number | Current Year Cash Transferred to Subrecipient |
|-------------|-----------------------------------------------|
| 14.218 | Community Development Block Grant |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

City of Roseville, Michigan

Schedule of Findings and Questioned Costs (Continued) **Year Ended June 30, 2008**

Section II - Financial Statement Audit Findings

| Reference Number | Findings |
|---------------------|----------|
| | None |

Section III - Federal Program Audit Findings

| Reference Number | Findings |
|---------------------|----------|
| | None |

City of Roseville, Michigan

**Report to the Honorable Mayor
and Members of the City Council
June 30, 2008**



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

December 11, 2008

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

We have recently completed our audit of the basic financial statements of the City of Roseville, Michigan (the "City") for the year ended June 30, 2008. In addition to our audit report, we are providing the following results of the audit and informational - legislative matters which impact the City:

| | <u>Page</u> |
|--------------------------------------------|-------------|
| Results of the Audit | 1-4 |
| Informational - Legislative Matters | 5-10 |

We are grateful for the opportunity to be of service to the City of Roseville, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC

Mark R. Hurst

Kathryn J. Kercorian



Plante & Moran, PLLC
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plantemoran.com

Results of the Audit

December 11, 2008

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

We have audited the financial statements of the City of Roseville, Michigan (the "City") for the year ended June 30, 2008 and have issued our report thereon dated December 11, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our audit engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City of Roseville, Michigan. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the City of Roseville, Michigan's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the City of Roseville, Michigan's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated December 11, 2008 regarding our consideration of the City of Roseville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the City of Roseville, Michigan including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our pre-audit communication letter dated November 17, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Roseville, Michigan are described in Note 1 to the financial statements. The following item represents a significant or unusual accounting policy used by the City that warrants specific mention:

In the current year, the City adopted Governmental Accounting Standards Board (GASB) Standard No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for the City's Retiree Health Care Plan and has included the fiduciary fund financial statements, footnote disclosures, and required supplementary information described therein. GASB No. 43 requires that the actuarially determined information included for a given year be based on the results of the most recent actuarial valuation, performed as of a date not more than two years before the plan's reporting date for that year. The most recent valuation available for the City's Retiree Health Care Plan was performed as of December 31, 2005, which is more than two years prior to the plan's reporting date of June 30, 2008. We have discussed this matter with management and concluded that it does not change our opinion on the City's financial statements taken as a whole.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was related to the recording of liabilities and expenditures for the self-insurance reserve related to claims associated with medical benefits and workers' compensation.

Management's estimate of the amount owed for medical and workers' compensation claims is based on reported claims that have incurred through June 30, 2008 plus an estimate related to projected claims that will incur after year end but relate to the year ended June 30, 2008. We evaluated the key factors and assumptions used to develop the estimates in determining that the amounts recorded are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Note 3 - Deposits and Investments, Note 5 - Capital Assets, Note 7 - Long-term Debt, Note 9 - Defined Benefit Pension Plan, and Note 10 - Other Postemployment Benefits.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During our audit, no such items were discussed with management as not being appropriately stated in the accounting records.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated December 11, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Honorable Mayor and
Members of the City Council
City of Roseville, Michigan

December 11, 2008

Other Audit Findings or Issues

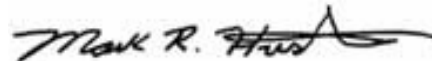
In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the City's auditors.

This information is intended solely for the use of management, the honorable mayor, and the members of the City Council and is not intended to be and should not be used by anyone other than these specified parties.


We are grateful for the opportunity to be of service to the City of Roseville, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Mark R. Hurst", with a stylized flourish at the end.

Mark R. Hurst

A handwritten signature in black ink, appearing to read "Kathryn J. Kercorian", written in a cursive style.

Kathryn J. Kercorian

Informational and Legislative Items

Financial Results

For the year ended June 30, 2008, net assets in the General Fund increased by approximately \$835,000. Though the City was able to realize an increase in fund balance during the current challenging economic year, the net income in the General Fund was approximately \$2.1 million lower than the prior year. During the current year, the General Fund overall revenue decreased by approximately 2 percent from the prior year, primarily as a result of declining property values. General Fund expenditures increased at a rate greater than inflation of approximately 8 percent. The increase in expenditures mainly occurred due to higher demand related to pension and healthcare contributions, contractual obligations such as wage negotiations, and higher fuel costs. At June 30, 2008, the General Fund undesignated fund balance was approximately \$6.9 million. The overall General Fund results for the year were slightly better than anticipated (even after the decline in property tax revenue) due to planning and adjustments in other areas.

Going forward, it is anticipated that declining property values are going to continue to erode at some of the benefits of the City's 2007 millage increase. The City's five-year plan anticipates an increasing use of fund balance in each of the next five years. Furthermore, the plan includes provisions for some property value reductions in fiscal year 2009, but anticipates a return to inflationary property value increases for fiscal years 2010 and beyond. Should the anticipated increases in property values not occur, the use of fund balance may be greater than currently projected. We understand the City is continually monitoring these events and updating the comprehensive five-year plan to properly address the ongoing economic challenges facing municipalities in Michigan. We encourage you to read the complete management's discussion and analysis section of the financial statements for a more complete discussion regarding the past year.

Legislative Issues

Property Tax Developments

As has been widely publicized, recent conditions in the real estate market are expected to have a negative impact on taxable values. The good news is that a given drop in market values will not result in an equivalent drop in taxable values because of the gap between the assessed value and the taxable value. On the other hand, this dampened effect is diminished each year we continue with market declines and the gap lessens between the two values. In other words, if we were to experience a theoretical 10 percent market decline for three consecutive years, the effect on taxable value (which would be different for each community) might be a 1 percent drop the first year, 4 percent the second year, and 7 percent in the third year. For this reason, it will be increasingly important to closely monitor taxable value, since this has the capacity to severely impact future years.

While each community will need to carefully determine the impact of the current environment on its budget, there are also several pieces of legislation in Lansing that will impact property taxes going forward. Examples include the following:

- House Bill 4215 (Public Act 96 of 2008) allows property owners to obtain two principal residence exemptions in certain situations. The bill was designed for situations where a homeowner has purchased a new home and is unable to sell the existing home. The dual exemption only applies if certain conditions are met (i.e., the property previously occupied is for sale, not occupied, not leased or available for lease, etc.).
- A series of bills were introduced in March 2007 as part of a package to stimulate home sales (House Bills 4440, 4441, and 4442). The lead bill of that package, House Bill 4440, establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state-equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years. House Bill 4440 actually passed the House in March 2007 and is currently in the Michigan Senate.

Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have re-learned in recent months, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it reconnects with market values).

Fairly or not, this year, many property owners said it did not feel right when they saw their taxable value increase by inflation when market value did not. This has led to a discussion as to whether a third variable, called “change in market value,” needs to be added to the Proposal A formula. In what some are calling a “super cap,” the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would be the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. To date, a proposal to accomplish this change has not moved through the legislature. A change of this nature would impact local government budgets.

- As part of the changes to the single business tax last year and the introduction of the Michigan business tax, changes were also made to the calculation of tax rates applicable to industrial and commercial personal property taxes. As advertised, industrial personal property taxpayers received a reduction of the school operating mills (up to 18 mills) and the six mill state education tax. Commercial personal property taxpayers received a reduction of up to 12 school operating mills. However, if your community has a school district with “hold harmless” school mills, you must add back any hold harmless millage prior to computing the total mills to be levied. This may generate questions from commercial and industrial taxpayers.

- A Michigan Supreme Court case has changed how local governments can treat public service improvements by developers. Leading up to the court case, as private property owners or developers installed public service improvements (i.e., street lights, water and sewer lines, etc.) there was normally an increase in their property tax assessment. The Michigan Supreme Court upheld a Court of Appeals ruling that the installation of public service improvements does not constitute a taxable addition.

State-shared Revenue

The table below details state-shared revenue for the City since 2003 broken out by statutory and constitutional portions:

| State Fiscal Year | Statutory | Constitutional | Total |
|-------------------|--------------|----------------|--------------|
| 2003 | \$ 2,475,609 | \$ 3,208,424 | \$ 5,684,033 |
| 2004 | 1,934,967 | 3,173,574 | 5,108,541 |
| 2005 | 1,803,549 | 3,249,309 | 5,052,858 |
| 2006 | 1,692,008 | 3,304,628 | 4,996,636 |
| 2007 | 1,611,873 | 3,235,963 | 4,847,836 |
| 2008 | 1,503,833 | 3,344,003 | 4,847,836 |
| 2009 est. | 1,595,449 | 3,284,624 | 4,880,073 |

It is heartening to see the legislature work to maintain state-shared revenue at its current levels. However, in light of the current economic environment, we strongly encourage local governments to be conservative when budgeting or projecting revenue sharing for the next few years.

Reminder - Change in Investment Act

Public Act 213 of 2007, adopted at the end of 2007, requires local governments to perform their investment reporting quarterly to the governing body. The investment of surplus monies by Michigan local governments is controlled by Public Act 20 of 1943. The Act previously required investment reporting annually. It is suggested that the required quarterly reports list investments by institution along with maturity dates and interest rates.

Recent Revisions to State Transportation Funding Program

Current legislation modified Act 51 to allow local governments to transfer monies from their Major Streets Fund to their Local Streets Fund at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent including the adoption of an asset management process for the major and local streets systems as well as a detailed resolution passed by the City. It is important to note that major street monies transferred for use on local streets cannot be used for construction but may be used for preservation. Current legislation also includes a pilot program that would allow for the combination of the Major Streets Fund and the Local Streets Fund if certain conditions are met.

Other Legislative Items

- As part of Michigan's new "Planning Enabling Act," many local governments will now be required to prepare an annual "capital improvements program." This new requirement is effective September 1, 2008. According to Public Act 33 of 2008, a planning commission, after the adoption of a master plan, shall annually prepare a capital improvements program of public structures and improvements. The law does allow that if the planning commission is exempted from this requirement, the legislative body shall prepare and adopt a capital improvements program or delegate this responsibility to the administration of the local unit for the ultimate approval by the legislative body. The law provides that the capital improvement program report public structures and improvements that, in the community's judgment, will be needed or desirable within the next six years. The law also requires that the public structures and improvements included in the capital improvements program be prioritized. Townships that do not either individually or jointly own or operate a water supply or sewage disposal system are exempt from this requirement. In general, Plante & Moran strongly encourages the development of a capital plan. While the law is restricted to "public structures and improvements," we strongly encourage the inclusion of all capital assets - vehicles, machinery and equipment, office furnishings, etc. In addition, we feel that the participation of the governing body (in addition to or instead of) the planning commission is good public policy.

This same public act added several other requirements of planning commissions, including annual reporting by the planning commission to the legislative body along with the mandatory creation of a master plan.

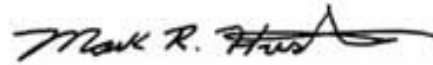
- Multiple bills are pending in Lansing that would make changes to investment laws governing Michigan communities. Changes have been proposed to add different types of investments to what is commonly referred to as "Public Act 20," which governs the investment of surplus operating monies. Changes are also being proposed to the laws governing the investment of retirement monies.
- A bill is pending in the Michigan Legislature regarding retainages held by governmental units. Retainages are a common method used by local governments in procurement, particularly in the area of construction contracts. The law change focuses on reducing the retainage amount that a local government could require and stipulate the payment of interest on these monies among other provisions.
- Efforts continue in the wake of the *Bolt* case to provide a means for local units of government to engage in rate making to finance the cost of utility operations, particularly that of storm water. Senate Bill 1249 has been introduced to address the tests included in the *Bolt* decision on whether a charge is really a fee or a tax.

This communication is intended solely for the information and use of management, the honorable mayor, and the members of the City Council and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the honorable mayor and members of the City Council for the opportunity to serve as auditors for the City. We would also like to express our appreciation for the courtesy and cooperation extended to us by the City's administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Mark R. Hurst". The signature is fluid and cursive, with a long, sweeping horizontal stroke at the end.

Mark R. Hurst

A handwritten signature in black ink that reads "Kathryn J. Kercorian". The signature is cursive and elegant, with a prominent initial "K".

Kathryn J. Kercorian